



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005
OF THE CONDITION AND AFFAIRS OF THE
Providence Washington Insurance Company

NAIC Group Code 0156 (Current Period) 0156 (Prior Period) NAIC Company Code 24295 Employer's ID Number 05-0204450
Organized under the Laws of Rhode Island, State of Domicile or Port of Entry Rhode Island
Country of Domicile United States of America
Incorporated/Organized 01/05/1799 Commenced Business 02/01/1799
Statutory Home Office 88 Boyd Avenue, East Providence, RI 02914
Main Administrative Office 88 Boyd Avenue, East Providence, RI 02914 401-453-7000
Mail Address 88 Boyd Avenue, East Providence, RI 02914
Primary Location of Books and Records 88 Boyd Avenue, East Providence, RI 02914 401-453-7132
Internet Website Address www.provwash.com
Statutory Statement Contact DONALD EDWARD WOELLNER 401-453-7132
don.woellner@provwash.com 401-453-7204
Policyowner Relations Contact 88 Boyd Avenue, East Providence, RI 02914 401-453-7431

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Rows include JEFFREY SCOTT MACK (President and CEO), DONALD EDWARD WOELLNER (VP, Controller & Asst Treasurer), NANCY RODRIGUES RESENDE (Corporate Secretary).

OTHER OFFICERS

Table with 4 columns: Name, Title, Name, Title. Row includes JOHN HOUSTON BALLARD, III (Executive VP, Claims).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Rows include JOHN HOUSTON BALLARD, III, LAURA MARGARET HUGHES, JEFFREY SCOTT MACK, DONALD EDWARD WOELLNER.

State of Rhode Island

County of Providence ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

JEFFREY SCOTT MACK
President and CEO

NANCY RODRIGUES RESENDE
Corporate Secretary

DONALD EDWARD WOELLNER
VP, Controller & Asst Treasurer

Subscribed and sworn to before me this
17th day of February, 2006

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

Nancy L. Wass Notary
March 13, 2009

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	146,895,188	53,507	146,841,681	213,595,966
2. Stocks (Schedule D):				
2.1 Preferred stocks	118,680		118,680	220,009
2.2 Common stocks	6,308,617		6,308,617	9,236,802
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$19,546,812 , Schedule E, Part 1), cash equivalents (\$16,729,435 , Schedule E, Part 2) and short-term investments (\$1,574,719 , Schedule DA).....	37,850,967		37,850,967	12,325,642
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	3,777,405	0	3,777,405	1,002,490
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	194,950,857	53,507	194,897,350	236,380,910
11. Title plants less \$ charged off (for Title insurers only).....			0	
12. Investment income due and accrued	1,751,422		1,751,422	2,295,912
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,612,113	451,326	1,160,787	4,132,915
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$11,756 earned but unbilled premium).....	337,075	1,176	335,899	6,091,236
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	(90,823)		(90,823)	6,752,800
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	309,104		309,104	0
16.2 Net deferred tax asset	44,489,399	44,489,399	0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software.....	44,535		44,535	312,363
19. Furniture and equipment, including health care delivery assets (\$).....	1,498,462	1,498,462	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	3,630,606		3,630,606	3,527,862
22. Health care (\$) and other amounts receivable.....			0	0
23. Aggregate write-ins for other than invested assets	796,264	333,778	462,486	888,484
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	249,329,014	46,827,648	202,501,366	260,382,480
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	249,329,014	46,827,648	202,501,366	260,382,480
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. EQUITIES AND DEPOSITS IN POOLS AND ASSOCIATIONS.....	450,804		450,804	848,983
2302. OTHER ASSETS.....	11,682		11,682	39,501
2303. ADVANCES/DEPOSITS.....	239,006	239,006	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	94,772	94,772	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	796,264	333,778	462,486	888,484

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	119,446,019	150,570,224
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	1,857,326	2,926,849
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	31,853,461	38,850,188
4. Commissions payable, contingent commissions and other similar charges	232,396	665,896
5. Other expenses (excluding taxes, licenses and fees)	8,005,953	10,836,255
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,334,784	2,746,836
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		6,796
7.2 Net deferred tax liability		0
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$549,761 and including warranty reserves of \$34,612)	1,838,698	23,515,762
10. Advance premiums		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,387,645	1,149,094
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		0
14. Amounts withheld or retained by company for account of others	24,020	21,170
15. Remittances and items not allocated	69,311	162,948
16. Provision for reinsurance (Schedule F, Part 7)	778,184	501,171
17. Net adjustments in assets and liabilities due to foreign exchange rates	1,505,686	1,569,418
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates		0
20. Payable for securities		0
21. Liability for amounts held under uninsured accident and health plans		0
22. Capital notes \$ and interest thereon \$		0
23. Aggregate write-ins for liabilities	4,883,674	4,699,074
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	174,217,156	238,221,681
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	174,217,156	238,221,681
27. Aggregate write-ins for special surplus funds	0	1,339,800
28. Common capital stock	5,021,200	5,021,200
29. Preferred capital stock		0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes		0
32. Gross paid in and contributed surplus	70,835,024	70,835,024
33. Unassigned funds (surplus)	(47,572,014)	(55,035,225)
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)		0
34.2 shares preferred (value included in Line 29 \$)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	28,284,210	22,160,799
36. TOTALS (Page 2, Line 26, Col. 3)	202,501,366	260,382,480
DETAILS OF WRITE-INS		
2301. COMMUTATION PAYABLE WARRANTY BUSINESS	2,126,477	0
2302. DIRECT PAYABLE EQUITIES & DEPOSITS	1,228,748	1,126,714
2303. ACCOUNTS PAYABLE	563,543	737,070
2398. Summary of remaining write-ins for Line 23 from overflow page	964,906	2,835,289
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	4,883,674	4,699,074
2701. SPECIAL SURPLUS FROM RETROACTIVE REINSURANCE		1,339,800
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	1,339,800
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	21,772,847	96,770,359
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	16,448,458	78,570,085
3. Loss expenses incurred (Part 3, Line 25, Column 1)	7,191,292	22,659,289
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	5,470,232	36,538,377
5. Aggregate write-ins for underwriting deductions	(650,146)	632,677
6. Total underwriting deductions (Lines 2 through 5)	28,459,836	138,400,429
7. Net income of protected cells	0	0
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	(6,686,989)	(41,630,070)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	7,641,785	10,812,557
10. Net realized capital gains (losses) less capital gains tax of \$ (Exhibit of Capital Gains (Losses))	1,252,249	3,820,202
11. Net investment gain or (loss) (Lines 9 + 10)	8,894,034	14,632,759
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 43,631 amount charged off \$ 308,212)	(264,581)	(477,684)
13. Finance and service charges not included in premiums	145,977	1,085,660
14. Aggregate write-ins for miscellaneous income	77,404	(1,780,416)
15. Total other income (Lines 12 through 14)	(41,200)	(1,172,440)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	2,165,845	(28,169,751)
17. Dividends to policyholders	0	(34,883)
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	2,165,845	(28,134,868)
19. Federal and foreign income taxes incurred	(309,003)	248,054
20. Net income (Line 18 minus Line 19) (to Line 22)	2,474,848	(28,382,922)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	22,160,799	50,930,549
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	2,474,848	(28,382,922)
23. Net transfers (to) from Protected Cell accounts	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 726,496	1,868,427	(5,280,854)
25. Change in net unrealized foreign exchange capital gain (loss)	63,735	624,925
26. Change in net deferred income tax	(1,696,966)	8,547,414
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	4,869,649	(4,804,673)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(277,013)	235,007
29. Change in surplus notes	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0
31. Cumulative effect of changes in accounting principles	0	0
32. Capital changes:		
32.1. Paid in	0	0
32.2. Transferred from surplus (Stock Dividend)	0	0
32.3. Transferred to surplus	0	0
33. Surplus adjustments:		
33.1. Paid in	0	0
33.2. Transferred to capital (Stock Dividend)	0	0
33.3. Transferred from capital	0	0
34. Net remittances from or (to) Home Office	0	0
35. Dividends to stockholders	(803,875)	0
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37. Aggregate write-ins for gains and losses in surplus	(375,395)	291,353
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	6,123,411	(28,769,750)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	28,284,210	22,160,799
DETAILS OF WRITE-INS		
0501. PREMIUM DEFICIENCY RESERVE	(650,146)	632,677
0502.	0	0
0503.	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	(650,146)	632,677
1401. LIMITED ASSIGNMENT DISTRIBUTION BUYOUT COST	28,484	(182,637)
1402. OTHER EXPENSE	34,303	(484,203)
1403. GAIN (LOSS) ON SALE OF FIXED ASSETS	14,617	(1,113,576)
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	77,404	(1,780,416)
3701. CHANGE IN MINIMUM PENSION LIABILITY, NET OF TAX	(419,814)	267,898
3702. PRIOR PERIOD ADJUSTMENT-REINSURANCE RECOVERABLE	44,419	23,455
3703.	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above)	(375,395)	291,353

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	9,485,866	84,600,466
2. Net investment income.....	8,942,698	12,006,968
3. Miscellaneous income.....	(41,200)	(1,172,440)
4. Total (Lines 1 to 3).....	18,387,364	95,434,994
5. Benefit and loss related payments.....	41,798,564	71,700,479
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	21,318,986	56,128,953
8. Dividends paid to policyholders.....	0	99,867
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	6,897	(526,410)
10. Total (Lines 5 through 9).....	63,124,447	127,402,889
11. Net cash from operations (Line 4 minus Line 10).....	(44,737,083)	(31,967,896)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	70,761,245	118,526,229
12.2 Stocks.....	3,359,795	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	85	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(362)	43,143
12.7 Miscellaneous proceeds.....	1	1,967,451
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	74,120,764	120,536,823
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	4,099,809	77,894,430
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	300,000
13.6 Miscellaneous applications.....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	4,099,809	78,194,430
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	70,020,955	42,342,393
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	803,875	0
16.6 Other cash provided (applied).....	1,045,327	(1,562,691)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6).....	241,452	(1,562,691)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	25,525,324	8,811,807
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	12,325,641	3,513,834
19.2 End of period (Line 18 plus Line 19.1).....	37,850,964	12,325,641

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Lines of Business		1	2	3	4
		Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	133,061	297,172	113,425	316,808
2.	Allied lines	95,684	199,772	64,943	230,513
3.	Farmowners multiple peril	0	0	0	0
4.	Homeowners multiple peril	275,293	7,008,451	952,370	6,331,373
5.	Commercial multiple peril	(896,559)	4,602,491	0	3,705,933
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	(10)	0	0	(10)
9.	Inland marine	(10,128)	138,399	13,194	115,077
10.	Financial guaranty	0	0	0	0
11.1	Medical malpractice - occurrence	0	0	0	0
11.2	Medical malpractice - claims-made	0	0	0	0
12.	Earthquake	0	0	0	0
13.	Group accident and health	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0
15.	Other accident and health	0	0	0	0
16.	Workers' compensation	(462,153)	911,717	7,228	442,335
17.1	Other liability - occurrence	9,048	186,189	3,447	191,790
17.2	Other liability - claims-made	0	0	0	0
18.1	Products liability - occurrence	14,497	31,344	173	45,668
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	1,158,294	1,433,114	216,430	2,374,978
19.3,19.4	Commercial auto liability	12,782	4,936,428	335,851	4,613,360
21.	Auto physical damage	368,016	2,151,887	84,630	2,435,273
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	0	191	0	191
24.	Surety	5,250	5,061	639	9,672
26.	Burglary and theft	0	0	0	0
27.	Boiler and machinery	0	0	0	0
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Reinsurance - Nonproportional Assumed Property	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Liability	43,544	0	0	43,544
32.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
33.	Aggregate write-ins for other lines of business	(641,304)	1,592,257	34,612	916,341
34.	TOTALS	105,315	23,494,473	1,826,941	21,772,847
DETAILS OF WRITE-INS					
3301.	Products Warranty.....	(641,304)	1,592,257	34,612	916,341
3302.	.....			
3303.	.....			
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0
3399.	Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	(641,304)	1,592,257	34,612	916,341

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience.

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols: 1 + 2 + 3 + 4
1.	Fire	113,425	.0	.0	.0	113,425
2.	Allied lines	64,943	.0	.0	.0	64,943
3.	Farmowners multiple peril	0	.0	.0	.0	0
4.	Homeowners multiple peril	952,370	.0	.0	.0	952,370
5.	Commercial multiple peril	0	.0	.0	.0	0
6.	Mortgage guaranty	0	.0	.0	.0	0
8.	Ocean marine	0	.0	.0	.0	0
9.	Inland marine	13,194	.0	.0	.0	13,194
10.	Financial guaranty	0	.0	.0	.0	0
11.1	Medical malpractice - occurrence	0	.0	.0	.0	0
11.2	Medical malpractice - claims-made	0	.0	.0	.0	0
12.	Earthquake	0	.0	.0	.0	0
13.	Group accident and health	0	.0	.0	.0	0
14.	Credit accident and health (group and individual)	0	.0	.0	.0	0
15.	Other accident and health	0	.0	.0	.0	0
16.	Workers' compensation	7,228	.0	.0	.0	7,228
17.1	Other liability - occurrence	3,447	.0	.0	.0	3,447
17.2	Other liability - claims-made	0	.0	.0	.0	0
18.1	Products liability - occurrence	173	.0	.0	.0	173
18.2	Products liability - claims-made	0	.0	.0	.0	0
19.1,19.2	Private passenger auto liability	216,430	.0	.0	.0	216,430
19.3,19.4	Commercial auto liability	347,607	.0	(11,756)	.0	335,851
21.	Auto physical damage	84,630	.0	.0	.0	84,630
22.	Aircraft (all perils)	0	.0	.0	.0	0
23.	Fidelity	0	.0	.0	.0	0
24.	Surety	639	.0	.0	.0	639
26.	Burglary and theft	0	.0	.0	.0	0
27.	Boiler and machinery	0	.0	.0	.0	0
28.	Credit	0	.0	.0	.0	0
29.	International	0	.0	.0	.0	0
30.	Reinsurance - Nonproportional Assumed Property	0	.0	.0	.0	0
31.	Reinsurance - Nonproportional Assumed Liability	0	.0	.0	.0	0
32.	Reinsurance - Nonproportional Assumed Financial Lines	0	.0	.0	.0	0
33.	Aggregate write-ins for other lines of business	34,612	.0	.0	.0	34,612
34.	TOTALS	1,838,698	0	(11,756)	0	1,826,941
35.	Accrued retrospective premiums based on experience					
36.	Earned but unbilled premiums					11,756
37.	Balance (Sum of Line 34 through 36)					1,838,698
DETAILS OF WRITE-INS						
3301.	Products Warranty.....	34,612				34,612
3302.	.....					0
3303.	.....					0
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	.0	.0	.0	0
3399.	Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	34,612	0	0	0	34,612

(a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.

Are they so returned in this statement? Yes [X] No []

(b) State here basis of computation used in each case . Monthly Pro Rata.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees Written and Renewed During Year

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	193,077	10,136	20,769	39,746	51,175	133,061
2. Allied lines	142,577	3,243	17,578	28,581	39,132	95,684
3. Farmowners multiple peril	0	0	0	0	0	0
4. Homeowners multiple peril	2,049,651	(204,700)	77,849	82,230	1,565,277	275,293
5. Commercial multiple peril	(638,654)	39,235	0	(267,803)	564,942	(896,559)
6. Mortgage guaranty	0	0	0	0	0	0
8. Ocean marine	0	(11)	(2)	(3)	0	(10)
9. Inland marine	20,351	(5,942)	0	(3,025)	27,561	(10,128)
10. Financial guaranty	0	0	0	0	0	0
11.1 Medical malpractice - occurrence	0	0	0	0	0	0
11.2 Medical malpractice - claims-made	0	0	0	0	0	0
12. Earthquake	0	0	0	0	0	0
13. Group accident and health	0	0	0	0	0	0
14. Credit accident and health (group and individual)	0	0	0	0	0	0
15. Other accident and health	0	0	0	0	0	0
16. Workers' compensation	(56,217)	176,843	(492,399)	(138,046)	228,426	(462,153)
17.1 Other liability - occurrence	(73,177)	2,428	4,774	2,703	(77,726)	9,048
17.2 Other liability - claims-made	0	0	0	0	0	0
18.1 Products liability - occurrence	22,290	(2,111)	0	4,330	1,352	14,497
18.2 Products liability - claims-made	0	0	0	0	0	0
19.1,19.2 Private passenger auto liability	1,056,240	436,737	0	345,984	(11,301)	1,158,294
19.3,19.4 Commercial auto liability	(526,116)	(77,525)	807,027	3,818	186,786	12,782
21. Auto physical damage	131,899	181,469	244,007	109,927	79,432	368,016
22. Aircraft (all perils)	0	0	0	0	0	0
23. Fidelity	0	0	0	0	0	0
24. Surety	6,818	0	0	1,568	0	5,250
26. Burglary and theft	0	0	0	0	0	0
27. Boiler and machinery	0	0	0	0	0	0
28. Credit	0	0	0	0	0	0
29. International	0	0	0	0	0	0
30. Reinsurance - Nonproportional Assumed Property	XXX	0	0	0	0	0
31. Reinsurance - Nonproportional Assumed Liability	XXX	0	56,550	13,007	0	43,544
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX	0	0	0	0	0
33. Aggregate write-ins for other lines of business	(832,862)	0	0	(191,558)	0	(641,304)
34. TOTALS	1,495,876	559,801	736,153	31,458	2,655,057	105,315
DETAILS OF WRITE-INS						
3301. Products Warranty	(832,862)	0	0	(191,558)	0	(641,304)
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	(832,862)	0	0	(191,558)	0	(641,304)

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]

If yes: 1. The amount of such installment premiums \$

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Previous Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	413,326	(13,512)	99,497	300,317	241,345	208,459	333,203	105.2
2. Allied lines	55,956	49,062	24,498	80,520	50,531	41,066	89,985	39.0
3. Farmowners multiple peril	.0	.0	.0	.0	.0	.0	.0	.0
4. Homeowners multiple peril	6,416,520	1,301,817	1,748,792	5,969,546	5,215,356	7,625,036	3,559,865	56.2
5. Commercial multiple peril	13,867,896	6,053,962	7,299,874	12,621,984	36,362,851	43,711,980	5,272,856	142.3
6. Mortgage guaranty	.0	.0	.0	.0	.0	.0	.0	.0
8. Ocean marine	2,628	201,850	56,330	148,148	(7,799)	154,575	(14,225)	137,050.9
9. Inland marine	77,859	26,140	25,938	78,061	96,334	134,361	40,034	34.8
10. Financial guaranty	.0	.0	.0	.0	.0	.0	.0	.0
11.1 Medical malpractice - occurrence	.0	.0	.0	.0	.0	.0	.0	.0
11.2 Medical malpractice - claims-made	.0	.0	.0	.0	.0	.0	.0	.0
12. Earthquake	.0	.0	2	(2)	.0	.0	(2)	.0
13. Group accident and health	.0	.0	.0	.0	.0	.0	.0	.0
14. Credit accident and health (group and individual)	.0	.0	.0	.0	.0	.0	.0	.0
15. Other accident and health	.0	.0	.0	.0	.0	.0	.0	.0
16. Workers' compensation	5,886,540	14,188,380	21,011,921	(937,001)	30,526,932	26,673,814	2,916,118	659.3
17.1 Other liability - occurrence	2,116,857	97,926	1,654,488	560,295	5,229,297	6,578,778	(789,186)	(411.5)
17.2 Other liability - claims-made	151	.0	306	(156)	2,155	1,537	462	.0
18.1 Products liability - occurrence	.0	.0	2,138	(2,138)	(10,108)	(12,247)	.1	.0
18.2 Products liability - claims-made	.0	.0	.0	.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability	3,257,466	4,234,758	1,710,396	5,781,828	6,124,199	14,237,688	(2,331,662)	(98.2)
19.3,19.4 Commercial auto liability	19,492,957	7,424,205	10,505,668	16,411,494	28,373,831	42,337,757	2,447,567	53.1
21. Auto physical damage	1,016,965	674,636	439,674	1,251,927	4,532	(168,081)	1,424,540	58.5
22. Aircraft (all perils)	.0	.0	.0	.0	.0	.0	.0	.0
23. Fidelity	(200)	.0	(34)	(166)	38,608	33,782	4,660	2,437.9
24. Surety	(10,275)	.0	(5,115)	(5,160)	40,546	21,117	14,269	147.5
26. Burglary and theft	.0	.0	2	(2)	.0	.0	(2)	.0
27. Boiler and machinery	.0	.0	.0	.0	.0	.0	.0	.0
28. Credit	.0	.0	.0	.0	.0	.0	.0	.0
29. International	.0	.0	.0	.0	.0	.0	.0	.0
30. Reinsurance - Nonproportional Assumed Property	XXX	27,030	86,919	(59,889)	49,639	156,734	(166,985)	.0
31. Reinsurance - Nonproportional Assumed Liability	XXX	6,600,008	2,521,830	4,078,178	7,107,770	8,681,265	2,504,684	5,752.1
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX	.0	.0	.0	.0	.0	.0	.0
33. Aggregate write-ins for other lines of business	1,681,660	.0	386,782	1,294,878	.0	152,603	1,142,275	124.7
34. TOTALS	54,276,305	40,866,264	47,569,905	47,572,664	119,446,019	150,570,224	16,448,458	75.5
DETAILS OF WRITE-INS								
3301. Products Warranty	1,681,660	.0	386,782	1,294,878	.0	152,603	1,142,275	124.7
3302.								
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	1,681,660	0	386,782	1,294,878	0	152,603	1,142,275	124.7

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ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	216,980	134,413	116,503	234,890	10,153	1,601	5,298	241,345	42,549
2. Allied lines	63,626	2,778	15,398	51,005	724	638	1,836	50,531	24,186
3. Farmowners multiple peril	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Homeowners multiple peril	4,767,570	226,849	1,277,482	3,716,937	2,220,298	75,150	797,030	5,215,356	725,750
5. Commercial multiple peril	25,063,418	9,802,099	12,361,917	22,503,600	22,804,217	8,283,719	17,228,685	36,362,851	16,415,043
6. Mortgage guaranty	.0	.0	.0	.0	.0	.0	.0	.0	.0
8. Ocean marine	41,791	3,198	60,829	(15,840)	7,085	.0	(957)	(7,799)	3,284
9. Inland marine	36,219	79,402	35,460	80,161	3,646	20,032	7,505	96,334	36,888
10. Financial guaranty	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.1 Medical malpractice - occurrence	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.2 Medical malpractice - claims-made	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Earthquake	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Group accident and health	.0	.0	.0	.0	.0	.0	.0	(a)	.0
14. Credit accident and health (group and individual)	.0	.0	.0	.0	.0	.0	.0	.0	.0
15. Other accident and health	.0	.0	.0	.0	.0	.0	.0	(a)	.0
16. Workers' compensation	23,385,092	16,648,973	21,068,026	18,966,040	13,542,932	12,015,167	13,997,207	30,526,932	2,400,771
17.1 Other liability - occurrence	6,931,265	1,344,889	5,315,284	2,960,871	15,349,021	749,579	13,830,174	5,229,297	1,457,684
17.2 Other liability - claims-made	38,235	.0	36,081	2,155	.0	.0	.0	2,155	.0
18.1 Products liability - occurrence	.0	.0	.0	.0	.0	.0	10,108	(10,108)	(8,714)
18.2 Products liability - claims-made	.0	.0	.0	.0	.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability	2,836,549	2,471,078	1,316,838	3,990,789	2,129,057	1,811,948	1,807,595	6,124,199	1,995,778
19.3,19.4 Commercial auto liability	20,201,889	10,558,709	11,540,904	19,219,694	13,228,828	7,257,986	11,332,677	28,373,831	8,557,862
21. Auto physical damage	105,955	5,953	63,203	48,705	(82,056)	24,218	(13,665)	4,532	191,078
22. Aircraft (all perils)	.0	.0	.0	.0	.0	.0	.0	.0	.0
23. Fidelity	50,000	.0	11,500	38,500	211	.0	103	38,608	5,457
24. Surety	97,500	.0	70,230	27,270	17,584	.0	4,308	40,546	5,844
26. Burglary and theft	.0	.0	.0	.0	.0	.0	.0	.0	.0
27. Boiler and machinery	.0	.0	.0	.0	.0	.0	.0	.0	.0
28. Credit	.0	.0	.0	.0	.0	.0	.0	.0	.0
29. International	.0	.0	.0	.0	.0	.0	.0	.0	.0
30. Reinsurance - Nonproportional Assumed Property	XXX	105,020	88,016	17,004	XXX	454,942	422,307	49,639	.0
31. Reinsurance - Nonproportional Assumed Liability	XXX	3,246,396	2,335,037	911,359	XXX	12,147,802	5,951,390	7,107,770	2
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX	.0	.0	.0	XXX	.0	.0	.0	.0
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0	.0
34. TOTALS	83,836,089	44,629,757	55,712,707	72,753,139	69,231,700	42,842,782	65,381,602	119,446,019	31,853,461
DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0	0	0	0

(a) Including \$ for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	2,827,472			2,827,472
1.2 Reinsurance assumed	1,913,901			1,913,901
1.3 Reinsurance ceded	2,372,224			2,372,224
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	2,369,149	0	0	2,369,149
2. Commission and brokerage:				
2.1 Direct excluding contingent		618,907		618,907
2.2 Reinsurance assumed, excluding contingent		702,281		702,281
2.3 Reinsurance ceded, excluding contingent		263,936		263,936
2.4 Contingent-direct		(404,546)		(404,546)
2.5 Contingent-reinsurance assumed		0		0
2.6 Contingent-reinsurance ceded		(85,013)		(85,013)
2.7 Policy and membership fees		0		0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	737,719	0	737,719
3. Allowances to manager and agents	0	0	0	0
4. Advertising	0	0	0	0
5. Boards, bureaus and associations	71,007	102,828	4,415	178,250
6. Surveys and underwriting reports	5,090	7,373	317	12,780
7. Audit of assureds' records	30,630	(128,894)	1,904	(96,360)
8. Salary and related items:				
8.1 Salaries	2,134,750	2,064,221	132,717	4,331,688
8.2 Payroll taxes	164,333	164,825	10,217	339,375
9. Employee relations and welfare	321,399	415,377	19,981	756,757
10. Insurance	95,163	137,808	5,916	238,887
11. Directors' fees	0	0	0	0
12. Travel and travel items	28,551	41,344	1,775	71,669
13. Rent and rent items	185,536	268,681	11,535	465,752
14. Equipment	330,019	477,909	20,517	828,445
15. Cost or depreciation of EDP equipment and software	69,409	100,512	4,315	174,236
16. Printing and stationery	(527)	25,685	1,103	26,260
17. Postage, telephone and telegraph, exchange and express	97,755	115,113	4,942	217,811
18. Legal and auditing	288,224	224,885	480,080	993,190
19. Totals (Lines 3 to 18)	3,821,338	4,017,668	699,733	8,538,739
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$	0	(159,322)	0	(159,322)
20.2 Insurance department licenses and fees		236,705	0	236,705
20.3 Gross guaranty association assessments		0	0	0
20.4 All other (excluding federal and foreign income and real estate)		403,052	0	403,052
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	0	480,435	0	480,435
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured accident and health plans				0
24. Aggregate write-ins for miscellaneous expenses	1,000,804	234,410	(6,176)	1,229,039
25. Total expenses incurred	7,191,292	5,470,232	693,557	(a) 13,355,081
26. Less unpaid expenses - current year	31,853,461	10,514,505	58,628	42,426,594
27. Add unpaid expenses - prior year	38,850,188	14,165,187	83,800	53,099,175
28. Amounts receivable relating to uninsured accident and health plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured accident and health plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	14,188,018	9,120,914	718,729	24,027,661
DETAILS OF WRITE-INS				
2401. Contract Services	933,287	252,139	10,692	1,196,118
2402. Outside Consultants	17,220	24,936	1,071	43,227
2403. Miscellaneous Expenses	50,298	(42,665)	(17,939)	(10,306)
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	1,000,804	234,410	(6,176)	1,229,039

(a) Includes management fees of \$ paid to affiliates and \$ paid to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,163,006	2,146,573
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 5,238,013	4,749,171
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 13,975	13,975
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	31,707	16,317
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 669,927	642,464
7. Derivative instruments	(f)	
8. Other invested assets	763,211	766,843
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	8,879,839	8,335,343
11. Investment expenses		(g) 693,558
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		693,558
17. Net Investment Income - (Line 10 minus Line 16)		7,641,785
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 89,868 accrual of discount less \$ 871,460 amortization of premium and less \$ 64,019 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
 (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ 547,074 accrual of discount less \$ 11,086 amortization of premium and less \$ paid for accrued interest on purchases.
 (f) Includes \$ accrual of discount less \$ amortization of premium.
 (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	12,633			12,633
1.1 Bonds exempt from U.S. tax				0
1.2 Other bonds (unaffiliated)	1,155,845		(426,143)	729,702
1.3 Bonds of affiliates	0	0	0	0
2.1 Preferred stocks (unaffiliated)	84,218		(101,329)	(17,111)
2.11 Preferred stocks of affiliates	0	0	0	0
2.2 Common stocks (unaffiliated)			(110,776)	(110,776)
2.21 Common stocks of affiliates	0	0	458,170	458,170
3. Mortgage loans				0
4. Real estate				0
5. Contract loans				0
6. Cash, cash equivalents and short-term investments	(282)			(282)
7. Derivative instruments				0
8. Other invested assets	(165)		2,775,000	2,774,835
9. Aggregate write-ins for capital gains (losses)	0	0	0	0
10. Total capital gains (losses)	1,252,249	0	2,594,922	3,847,171
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	53,507	0	(53,507)
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule E, Part 1), cash equivalents (Schedule E, Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	53,507	0	(53,507)
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	451,326	874,441	423,115
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	1,176	2,129	953
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	44,489,399	46,696,593	2,207,194
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	1,498,462	2,776,013	1,277,551
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	333,778	1,348,122	1,014,344
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	46,827,648	51,697,297	4,869,649
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	46,827,648	51,697,297	4,869,649
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. ADVANCES/DEPOSITS.....	0	220,977	220,977
2302. AUTOMOBILES.....	0	68,978	68,978
2303. CAPITALIZED EXPENSES-SOFTWARE DEVELOPMENT.....	239,006	691,101	452,095
2398. Summary of remaining write-ins for Line 23 from overflow page	94,772	367,066	272,294
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	333,778	1,348,122	1,014,344

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(A) Accounting Practices

The financial statements of Providence Washington Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Rhode Island Insurance Department.

The Rhode Island Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Rhode Island for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under Rhode Island Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Rhode Island. The Rhode Island Insurance Department has the right to permit specific practices that deviate from prescribed practices.

The Company, with the explicit permission of the Rhode Island Insurance Department records one specific reinsurance transaction in a manner that differs from prescribed accounting practices. Effective on the closing date of the change in ownership (October 1998), the Company entered into an adverse loss development reinsurance agreement. Under the terms of the agreement, the Company may cede to the reinsurer 100% of the aggregate ultimate net losses for the 1997 and prior accident years in excess of \$226.1 million (retention) up to a maximum limit of \$26 million. This transaction has been accounted for as prospective reinsurance pursuant to a permitted practice extended by the Rhode Island Insurance Department.

Reconciliations of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Rhode Island for the twelve months ending December 31, 2005 and 2004 are shown below:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
1. Net (Loss) Income, Rhode Island basis	\$ <u>2,474,848</u>	\$ <u>(28,382,922)</u>
2. State Prescribed Practices (Income):	0	0
3. State Permitted Practices (Income):	0	0
Net (Loss) Income, NAIC SAP	\$ <u>2,474,848</u>	\$ <u>(28,382,922)</u>
4. Statutory Surplus, Rhode Island basis	\$ <u>28,284,210</u>	\$ <u>22,160,799</u>
5. State Prescribed Practices (Surplus):	0	0
6. State Permitted Practices (Surplus):	0	0
Statutory Surplus, NAIC SAP	\$ <u>28,284,210</u>	\$ <u>22,160,799</u>

(B) Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(C) Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Short-term investments are stated at amortized cost.

Bonds not backed by other loans are stated at amortized cost using the interest method. Non-investment grade bonds are stated at the lower of amortized value or fair value.

Common stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.

Redeemable preferred stocks are stated at amortized value. Perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower of amortized value or fair value.

Loan-backed bonds and structured securities are stated at either amortized cost or the lower of amortized cost or fair market value. The constant yield scientific method including anticipated prepayment assumptions is used to value all securities. Changes in current prepayment assumptions are accounted for using the prospective method.

The Company anticipates investment income as a factor in the premium deficiency calculation.

Loss and loss adjustment expense reserves are estimates that provide for the ultimate expected cost of settling unpaid losses and claims reported at each balance sheet date. Losses and claims incurred but not reported, as well as expenses required to settle losses and claims, are established on the basis of various criteria, including historical cost experience and anticipated costs of servicing reinsured and other risks. Considerable judgment is required to evaluate claims and establish estimated claim liabilities, particularly with respect to certain lines of business, such as reinsurance assumed, or certain types of claims, such as environmental and asbestos liabilities. The environmental and asbestos exposures do not lend themselves to traditional methods of loss development determination and, therefore, reserve estimates related to these exposures may be considerably less reliable than for other lines of business. The Company believes that overall reserving practices have been consistently applied, and that its aggregate net reserves have resulted in reasonable approximations of the ultimate net costs of claims incurred. These estimates are continually reviewed and adjusted as necessary; such adjustments are reflected in current operations. The Company's liability for unpaid loss and loss adjustment expense is presented net of amounts recoverable from reinsurers.

The Company is a member of an affiliated group of companies which file a consolidated federal income tax return. Under the terms of an intercompany tax allocation agreement, the Company is allocated federal income taxes by applying the current regular federal tax rate to statutory results of operations modified by book versus tax adjustments. Alternative minimum taxes are allocated ratably

NOTES TO FINANCIAL STATEMENTS

to companies with taxable income.

Realized capital gains and losses on the sale of investments are determined on a specific identification method and are included in the determination of net income. Unrealized capital gains and losses resulting from changes in the valuation of investments at fair value are credited or charged directly to surplus.

The Company regularly evaluates investments based on current economic conditions, credit risk experience and other circumstances of the underlying securities. A decline in a security's net market value that is not a temporary fluctuation is recognized as a realized loss, and the cost basis of that security is reduced.

Premiums earned, loss and loss adjustment expenses incurred, unearned premiums, and the liability for losses and loss adjustment expenses are reflected net of reinsurance assumed from and ceded to other companies.

Land, building and equipment are carried at cost less accumulated depreciation and are reflected net of encumbrances. Depreciation is calculated on a straight-line basis over the allowable estimated useful lives of the assets.

The assets and liabilities of operations with foreign functional currencies are translated net into U.S. dollars at current exchange rates and the resulting adjustment recorded is reflected as a liability in the statutory financial statements. The resulting net translation adjustments for each period are included in surplus.

2. Accounting Changes and Corrections of Errors

- (A) Material changes in accounting principles and/or correction of errors.

The Company increased the Book/Adjusted Carrying value of one of its long term invested assets reported in Schedule BA-Part 1. The U.S. Department of Education College and University Facility Loan Trust One was adjusted by \$2,775,000 to a value of \$3,075,000. The Company obtained audited financial statements of the Trust and engaged in discussions with various parties to determine an appropriate valuation. The adjustment increased policyholders' surplus by \$1,831,500, net of deferred income taxes.

(B) The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Rhode Island. Effective January 1, 2001, the State of Rhode Island required that insurance companies domiciled in the State of Rhode Island prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – version effective January 1, 2001 subject to any deviations prescribed or permitted by the Rhode Island Insurance Department.

3. Business Combinations and Goodwill

- (A) Statutory Purchase Method

Not applicable

- (B) Statutory Mergers

Not applicable

- (C) Impairment Loss

Not applicable

4. Discontinued Operations

Not applicable – see Note to Financial Statements 21 (A).

5. Investments

- (A) Mortgage Loans

Not applicable

- (B) Troubled Debt Restructuring for Creditors

Not applicable

- (C) Reverse Mortgages

Not applicable

- (D) Loan-Backed Securities

(1) The Company has elected to use book value on January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date.

(2) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from pricing service providers, such as IDC, broker dealer survey values or internal estimates.

(3) The Company has no negative yield situations requiring a change from the retrospective to prospective method.

- (E) Repurchase Agreements

For repurchase agreements, Company policies require a minimum of 102% of the fair value of securities purchased under repurchase agreements to be maintained as collateral. There were no open repurchase agreements as of December 31, 2005.

- (F) Real Estate

Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

- (A) Detail for Those Greater than 10% of Admitted Assets

Not applicable

- (B) Writedowns for Impairments

NOTES TO FINANCIAL STATEMENTS

Not applicable

7. Investment Income

(A) Accrued Investment Income

The Company nonadmits investment income due and accrued if amounts are over 90 days past due.

(B) Amounts Nonadmitted

None

8. Derivative Instruments

Not applicable

9. Income Taxes

(A) The components of the net deferred tax asset/(liability) at December 31 are as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Total of gross deferred tax assets	\$ 45,542,663	\$ 46,703,013
Total of deferred tax liabilities	<u>(1,053,264)</u>	<u>(6,421)</u>
Net deferred tax asset	44,489,399	46,696,593
Deferred tax asset nonadmitted	<u>(44,489,399)</u>	<u>(46,696,593)</u>
Net admitted deferred tax asset	\$ 0	\$ 0
(Increase) decrease in nonadmitted asset	\$ <u>2,207,193</u>	

(B) Deferred tax liabilities are not recognized for the following amounts:

Not applicable

(C) Current income taxes incurred consist of the following major components:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Federal	\$ 0	\$ 0
Foreign	<u>(309,003)</u>	<u>248,054</u>
	(309,003)	248,054
Federal income tax on net capital gains	0	0
Utilization of capital loss carry-forwards	<u>0</u>	<u>0</u>
Federal and foreign income taxes incurred	\$ <u>(309,003)</u>	\$ <u>248,054</u>

The main components of the 2005 deferred tax amounts are as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Deferred tax assets:		
Non-admitted assets	\$ 285,528	\$ 497,968
Unearned premium reserves	128,661	1,624,740
Loss & LAE reserves	5,943,723	7,586,299
Deferred Compensation	2,722,024	3,605,787
Bonds	900,984	791,341
Fixed Assets	936,420	1,223,556
Deferred Gain	0	0
Charitable contribution carryforwards	59,157	58,892
Net operating loss carryforwards	33,766,663	30,435,444
AMT credit carryforwards	31,339	31,339
Allowance for accounts receivable	0	0
Accrued reinsurance expenses	45,815	104,720
Equities at market	95,817	23,702
Other	<u>626,532</u>	<u>719,225</u>
Total deferred tax assets	\$ 45,542,663	\$ 46,703,013
Nonadmitted deferred tax assets	<u>(44,489,399)</u>	<u>(46,696,593)</u>
Admitted deferred tax assets	\$ <u>1,053,264</u>	\$ <u>6,421</u>

Deferred tax liabilities:

Other invested assets	\$ 1,052,076	\$ 0
Equities at market	0	0
Dividends accrued	<u>1,188</u>	<u>6,421</u>
Total deferred tax liabilities	\$ <u>1,053,264</u>	\$ <u>6,421</u>
Net admitted deferred tax asset	\$ <u>0</u>	\$ <u>0</u>

The changes in main components of DTA's and DTL's are as follows:

	<u>December 31 2005</u>	<u>December 31 2004</u>	<u>Change</u>
Total deferred tax assets	\$45,542,663	\$ 46,703,013	\$ (1,160,350)
Total deferred tax liabilities	<u>1,053,264</u>	<u>6,421</u>	<u>1,046,843</u>
Net deferred tax asset/(liability)	44,489,399	\$ 46,696,593	\$ (2,207,193)
Tax effect of change in unrealized gains (losses)			726,496
Tax effect of change in minimum pension liability			<u>(216,268)</u>
Change in net deferred income tax			\$ <u>(1,696,965)</u>

(D) Among the more significant book to tax adjustments were the following:

	<u>December 31, 2005</u>	<u>Effective tax rate</u>
Provision computed at statutory rate	\$ 736,387	34.0%
Tax effect of change in nonadmitted assets	905,235	41.8%
Foreign exchange adjustment	<u>(67,893)</u>	<u>(3.1)%</u>

NOTES TO FINANCIAL STATEMENTS

Dividends received deduction	(6,414)	(0.3)%
Foreign tax provision	(203,942)	(9.4)%
Prior year true-up adjustment	27,717	1.3%
Other permanent items	4,001	0.2%
Other	<u>(7,129)</u>	<u>(0.3)%</u>
	\$ 1,387,962	64.1%
Federal and foreign income tax incurred	(309,003)	14.3%
Change in net deferred income taxes	<u>1,696,965</u>	<u>(78.4)%</u>
Total statutory income taxes	\$ <u>1,387,962</u>	<u>(64.1)%</u>

(E)	Year	NOL Carryforward	Operating loss and tax credit carryforwards Expires Tax Year End
	2005	\$ 10,210,000	12/31/25
	2004	31,105,000	12/31/24
	2003	24,977,000	12/31/23
	2002	1,431,000	12/31/22
	2001	658,000	12/31/21
	2000	205,000	12/31/20
	1999	267,000	12/31/19
	1998	2,736,000	12/31/18
	1997	1,037,000	12/31/16
	1996	194,000	12/31/10
	1995	1,624,000	12/31/09
	1994	0	12/31/08
	1993	10,112,000	12/31/07
	1992	4,136,000	12/31/06
	1991	10,574,000	12/31/05

There are currently no federal income taxes incurred that are available for recoupment in the event of future net losses.

(F) Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with and includes the following entities:

PW Acquisition Company
 Providence Washington Holdings, Inc.
 PW Holdings, Inc.
 Providence Washington Insurance Company
 York Insurance Company
 American Concept Insurance Company
 Providence Washington Insurance Company of New York

The method of allocation among the companies is subject to written agreement. All Companies above are included in the written agreement. Allocation to the insurance subsidiaries is based upon applying the applicable federal income tax rate(s) to the statutory results of operations as reflected in the Statements of Income in the respective Annual Statements of the subsidiaries, adjusted for specific federal tax transactions. Allocation to non-insurance entities is based upon separate return calculations with current credit for net losses. Intercompany tax balances are requested to be settled within 30 days.

10. Information Concerning Parent, Subsidiaries and Affiliates

- (A) All outstanding shares of the Company are owned or controlled by PW Holdings, Inc., an insurance holding company domiciled in the State of Delaware with the ultimate controlling party being a Voting Trust as illustrated on page 105.
- (B) The Company paid stockholder dividends to PW Holdings, Inc. in 2005 totaling \$803,875.
- (C) There were no changes to the terms of intercompany arrangements.
- (D) As of December 31, 2005, the Company reported \$3,630,606 due from affiliates as follows:

American Concept Insurance Company \$479,941
 Providence Washington Insurance Company of New York \$1,233,554
 York Insurance Company \$1,917,109

All intercompany balances are required to be settled within 45 days.

- (E) The Company has no guarantees or undertakings for the benefit of affiliates, which result in material contingent exposure of the Company's or any affiliated insurer's assets or liabilities except as noted below:
 1. The Company has guaranteed to maintain the surplus of its subsidiary, American Concept Insurance Company at a minimum amount of \$2.0 million.
 2. The Company has guaranteed to maintain the combined capital and surplus of its subsidiary, York Insurance Company, at a minimum amount of \$4.0 million.
- (F) The Company has no management or service contracts or cost sharing agreement other than the tax sharing agreement described in Note 9.
- (G) All outstanding shares of the Company are owned or controlled by PW Holdings, Inc.
- (H) The Company has no amount deducted for investment in an upstream company.
- (I) The Company has no Investment in Affiliates greater than 10% of Admitted Assets.
- (J) Not applicable

11. Debt

- (A) Capital Notes

NOTES TO FINANCIAL STATEMENTS

None

(B) All Other Debts

None

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

(A) Defined Benefit Plan and Postretirement Benefits

The Company, on behalf of employees of itself and employees of all subsidiaries, sponsors a defined benefit pension plan which covers substantially all employees and provides pension and death benefits. The funding policy is to accrue and pay an amount sufficient to fund the minimum amount that can be deducted for federal income tax purposes which considers the annual current service cost on an annual basis, the unfunded frozen initial liability over a 40 year period and additional liabilities arising from amendments over a 30 year period. In addition, the Company sponsors and has accrued for a noncontributory executive retirement benefit for a small number of former employees.

Effective April 1, 2004, the Company announced a freezing of its defined benefit pension plan. In addition, the Company simultaneously announced enhancements to its defined contribution employee savings plan. See section B of Notes to Financial Statements #12.

A summary of total assets, total obligations and assumptions of the Pension and Postretirement Benefit Plans are as follows at December 31, 2005 and 2004, respectively. The Company shares in the total Plan costs below, based on its 77% share of pooled expense.

	<u>Pension Benefits</u>	<u>Pension Benefits</u>
	<u>2005</u>	<u>2004</u>
(1) Change in benefit obligation		
a. Benefit obligation at beginning of year	\$ 23,143,982	\$ 25,352,463
b. Service cost	14,805	452,468
c. Interest cost	1,291,122	1,339,247
d. Contribution by plan participants	-	-
e. Actuarial (gain) loss	710,959	(411,379)
f. Foreign currency exchange rate changes	-	-
g. Benefits paid	(1,304,130)	(1,394,923)
h. Plan amendments	-	(2,821,965)
i. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	628,071
j. Benefit obligation at end of year	<u>\$ 23,856,738</u>	<u>\$ 23,143,982</u>
(2) Change in plan assets		
a. Fair value of plan assets at beginning of year	\$ 16,403,550	\$ 14,127,580
b. Actual return on plan assets	1,254,332	1,853,645
c. Foreign currency exchange rate changes	-	-
d. Employer contribution	1,970,296	1,817,248
e. Plan participants' contributions	-	-
f. Benefits and expenses paid	(1,365,144)	(1,394,923)
g. Business combinations, divestitures and settlements	-	-
h. Fair value of plan assets at end of year	<u>\$ 18,263,034</u>	<u>\$ 16,403,550</u>
(3) Funded status	\$ (5,626,757)	\$ (6,740,432)
a. Unamortized prior service cost	-	-
b. Unrecognized net (gain) or loss	3,847,221	2,981,825
c. Remaining net obligation or net (asset) at initial date of application	(220,117)	(234,791)
d. Prepaid assets or (accrued) liabilities	(5,347,341)	(6,515,006)
e. Intangible asset	<u>\$ 3,347,688</u>	<u>\$ 2,521,608</u>
(4) Benefit obligation for non vested employees	\$ -	\$ -
(5) Components of net periodic benefit cost		
a. Service cost	\$ 14,805	\$ 452,468
b. Interest cost	1,291,122	1,339,247
c. Expected return on plan assets	1,512,022	1,267,220
d. Amortization of unrecognized transition obligation or transition asset	(14,674)	(14,674)
e. Amount of recognized (gains) and losses	164,267	108,078
f. Amount of prior service cost recognized	-	36,616
g. Amount of gain or loss recognized due to a settlement or curtailment	-	590,955
h. Total net periodic benefit cost	<u>\$ (56,502)</u>	<u>\$ 1,245,470</u>
(6) The amount included in unassigned funds (surplus) for the period arising from an increase in the additional minimum pension liability was a charge of \$419,814, net of deferred income tax.		
(7) Weighted-average assumptions as of December 31	<u>2005</u>	<u>2004</u>
a. Discount rate	5.5%	5.75%
b. Rate of compensation increase	N/A	N/A
c. Expected long-term rate of return on plan assets	9.00%	9.00%

Postretirement Benefits
2005

Postretirement Benefits
2004

NOTES TO FINANCIAL STATEMENTS

(1) Change in benefit obligation			
a. Benefit obligation at beginning of year	\$	-	\$ 150,000
b. Service cost		-	-
c. Interest cost		-	3,000
d. Contribution by plan participants		-	-
e. Actuarial (gain) loss		-	-
f. Foreign currency exchange rate changes		-	-
g. Benefits paid		-	(89,987)
h. Plan amendments		-	-
i. Business combinations, divestitures, curtailments, settlements and special termination benefits		-	(63,013)
j. Benefit obligation at end of year	\$	-	\$ -
(2) Change in plan assets			
a. Fair value of plan assets at beginning of year	\$	-	\$ -
b. Actual return on plan assets		-	-
c. Foreign currency exchange rate changes		-	-
d. Employer contribution		-	89,987
e. Plan participants' contributions		-	-
f. Benefits paid		-	(89,987)
g. Business combinations, divestitures and settlements		-	-
h. Fair value of plan assets at end of year	\$	-	\$ -
(3) Funded status	\$		\$
a. Unamortized prior service cost		-	-
b. Unrecognized net (gain) or loss		-	-
c. Remaining net obligation or net (asset) at initial date of application		-	-
d. Prepaid assets or (accrued) liabilities		-	-
e. Intangible asset	\$	-	\$ -
(4) Benefit obligation for non vested employees	\$	-	\$ -
(5) Components of net periodic benefit cost			
a. Service cost	\$	-	\$ -
b. Interest cost		-	3,000
c. Expected return on plan assets		-	-
d. Amortization of unrecognized transition obligation or transition asset		-	-
e. Amount of recognized (gains) and losses		-	-
f. Amount of prior service cost recognized		-	-
g. Amount of (gain) or loss recognized due to a settlement or curtailment		-	(63,013)
h. Total net periodic benefit cost	\$	-	\$ (60,013)
(6) Not applicable			
(7) Weighted-average assumptions as of December 31			
a. Discount rate		N/A	N/A
b. Rate of compensation increase		N/A	N/A
c. Expected long-term rate of return on plan assets		N/A	N/A
(8) Due to plan termination, no additional trend rates are provided.			
(9) Not applicable due to plan termination.			

(B) Defined Contribution Plan

The Company, on behalf of employees of itself and all subsidiaries, sponsors a contributory savings plan for which substantially all employees are eligible. Employees may deduct from 1.0% to 50.0% of their gross pay for contribution into the Plan's funds. The Company will match 50% of the employee's contribution on the first 6% of their gross pay. In addition to the Company match, the Company automatically contributes 3.0% of each employee's biweekly salary to the savings plan. The Company's contribution to the plan for 2005 and 2004 was \$377,000 and \$567,000, respectively. At December 31, 2005, the fair value of plan assets was \$12,792,000.

(C) Multiemployer Plans:

Not applicable

(D) Consolidated/Holding Company Plans

See Note 12A

(E) Postemployment Benefits and Compensated absences

The obligation for postemployment benefits or compensated absences has been accrued in accordance with SSAP No. 11. Postemployment Benefits and Compensated Absences.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (A) The Company has 530,000 shares of \$10.00 par value common stock authorized; 502,120 shares issued and outstanding.
- (B) The Company has no preferred stock outstanding.
- (C) Dividends to common stockholders are paid as declared by the Board of Directors of the Company. The Company's dividends are subject to the regulation of the State of Rhode Island. The current regulation allows an annual dividend without prior approval that is limited to the lesser of net income, exclusive of realized gains, for the latest twelve month period ending December 31, next preceding, or 10% of policyholders surplus as of the 31st day of December next preceding. Stockholder dividends declared or paid

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2005 and 2004 were \$803,875 and \$-0-, respectively.

- (D) No restrictions have been placed on the Company's unassigned surplus.
- (E) The Company holds no stock for special purposes.
- (F) The balance of special surplus funds decreased by \$1,339,800 due to collections of ceded paid losses on a retroactive reinsurance treaty. Unassigned funds increased by a similar amount.
- (G) The Company has no surplus notes or similar obligations.
- (H) The Company underwent a change in ultimate ownership in 1998. With the change in ownership, the Company received approval from the Rhode Island Department of Business Regulation for a quasi-reorganization. As a result, the Company was allowed to re-set its negative unassigned surplus at September 30, 1998 to zero with a corresponding reduction to the additional paid-in capital account.

	<u>Change in Surplus</u>	<u>Change in Unassigned Funds</u>	<u>Change in Gross Paid-in and Contributed Surplus</u>
1998	-0-	\$25,284,731	\$(25,284,731)

- (I) The effective date of all quasi-reorganizations in the prior 10 years is October 23, 1998.

14. Contingencies

(A) Contingent Commitments

As described in Note 10(E), the Company has made guarantees on behalf of affiliates.

As described in Note 27, the Company has purchased annuities from life insurers that are directly payable to claimants but for which the Company may be contingently liable. The annuities have been used to reduced unpaid losses by \$15,171,000 and \$15,415,000 as of December 31, 2005 and 2004, respectively.

(B) Guaranty Fund and Other Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums were written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty fund and other assessments equal to its pooled share (77%) of \$2,390,000. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

(C) Gain Contingencies

Not applicable

(D) All Other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

The Company has accrued a loss contingency associated with its obligation to accept assigned risk policy assignments occurring primarily in the state of New York. The Company has recorded its pooled share (77%) of \$175,000.

The Company has determined it owns assets that are other than temporarily impaired. The Company has one security: \$2,500,000 par Shyppco 5.58% due 6/15/2010, which was purchased May 1998. Shyppco principal and interest payments are in arrears. The CDO continues to suffer further asset deterioration. Collateral performance continues to be hurt by downward credit migration, increased defaults and lower than expected recovery levels. Managers are selling some of the underlying securities within the structure in an effort to improve overall collateralization levels and improve overall credit quality. The poor performance has resulted in a series of rating downgrades of the various CDO tranches. Previous cash flow testing on the bond determined that return of principal is highly unlikely.

At December 31, 2005, Shyppco has been written-down to a book value of \$25,000. The write-downs in prior periods were recorded as realized loss. Fair value estimates were determined by prevailing market conditions and consultations with the Company's investment manager.

The Company has forecasted its cash needs and compared that with existing liquid assets plus those bonds scheduled to mature. The Company anticipates a cash shortfall will manifest itself in the latter part of 2006 and early 2007. Although the shortfall is not deemed to be significant, it may require the company to sell selected bonds before maturity. These bonds currently have unrealized losses of approximately \$53,507. The Company has elected to carry these bonds at fair value and recorded a nonadmitted asset equal to the unrealized loss as a charge to policyholders' surplus.

NOTES TO FINANCIAL STATEMENTS

15. Leases

(A) Lessee Leasing Arrangements

- (1) The Company leases office facilities and equipment under various noncancelable operating leases that expire through April 2007. Lease expense for 2005 and 2004 was approximately \$546,000 and \$3,579,000 respectively. Future minimum rental payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 406,567
2007	<u>134,388</u>
Total	\$ 540,955

- (2) The Company has no renewal options extending beyond the year 2007.
- (3) The Company had entered into a sale and leaseback arrangement with 121 South Main Street, LLC in December 2001. According to the terms of this arrangement, the Company would lease 29,128 square feet for the initial term of 5 years. Thereafter, the Company had the option to renew the arrangement for an additional 5 years. In the event that the Company failed to exercise its option to extend the initial term of the lease, the Company shall pay the Lessor \$882,073. In December 2004, the Company terminated its remaining lease obligation by means of a settlement with the Lessor in the amount of \$1,825,000.

(B) Lessor Leasing Arrangements

(1) Operating Leases

Not applicable

(2) Leveraged Leases

Not applicable

16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

(A) Financial Instruments with Off-Balance Sheet Risk

Not applicable

(B) Financial Instruments with Concentrations of Credit Risk

Not applicable

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

(A) Transfers of Receivables Reported as Sales

Not applicable

(B) Transfers and Servicing of Financial Assets

Not applicable

(C) Wash Sales

Not applicable

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

(A) Administrative Services Only (ASO) Plans

Not applicable

(B) Administrative Services Contract (ASC) Plans

Not applicable

(C) Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

19. Direct Premiums Written by Managing General Agents / Third Party Administrators

Not applicable

20. September 11, 2001 – Events

1. As of December 31, 2005, the Company has recorded its pooled share (77%) of the 100% incurred gross losses of \$8.4 million and net losses of \$1.1 million, respectively. The major lines of business included commercial multi-peril property (\$7.1 million gross, and \$0.7 million, net) and workers compensation (\$1.1 million, gross and \$0.3 million, net).

The reinsurance recoverables of \$7.1 million are due from a large and highly solvent reinsurer, who has acknowledged its liability to the Company.

2. The Company believes it has recorded its ultimate gross and net liability associated with this event.
3. Not applicable
4. Not applicable

NOTES TO FINANCIAL STATEMENTS

21. Other Items

(A) Extraordinary Items

On May 27, 2004, the Board of Directors with the concurrence of shareholders voted to place the Company into self-administered managed runoff status. These actions were taken in response to declines in financial strength ratings and the inability to raise capital. The Company prepared a runoff plan which called for the cessation of writing new and renewal business at the earliest possible date. The runoff plan also calls for the Company to maintain sufficient staffing to perform all required functions related to policyholder services, billing and collection, claims administration and financial reporting. The Company has made an assessment of expenses incurred that are associated with its decision to enter runoff status. The Company has recorded its pooled share (77%) of the total accrued expenses of \$4,400,000. The Company is providing periodic updates to its domiciliary regulators.

(B) Troubled Debt Restructuring for Debtors

Not applicable

(C) Other Disclosures

Assets in the amount of \$23,405,097 and \$26,255,411 at December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at \$11,889,389 and \$21,905,602 at December 31, 2005 and 2004, respectively were pledged as collateral. In one case, the pledged assets (approximately \$ 10,343,000) reside in a trust fund, the beneficiary of which was the purchaser of one of the Company's former wholly-owned subsidiaries. The second case involves the pledge of a bond (approximately \$1,546,000) to collateralize a participation in a residual market pool.

(D) Uncollectible Premiums Receivable

At December 31, 2005 and 2004, the Company had admitted assets of \$1,496,686 and \$10,224,150, respectively in premiums receivable due from policyholders and agents. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, any uncollectible premiums receivable as of December 31, 2005 are not expected to exceed the nonadmitted amounts totaling \$452,501 and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

(E) Business Interruption Insurance Recoveries

Not applicable

(F) Additional Disclosures for Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensation Absences.

1(a) See Note 12(A) (1), which represents the amount of accumulated benefit obligation for fully vested employees. All employees are fully vested.

1(b) Not applicable – there are no non-vested portions for any employees.

1(c) Not applicable – the Company terminated its other postretirement benefits plan December 31, 2003.

1(d) Pension Plan Assets – Pension Plan assets are invested in a broad based asset allocation fund, comprised primarily of high grade domestic fixed income securities and domestic equities. The Company utilizes a target allocation strategy, designed to create an asset mix that appreciates in value, as well as manages expenses and contributions. The target allocations and actual plan asset allocations for 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>	<u>Target</u> <u>Levels</u>
Equity securities			
Domestic	50%	67%	35% -70%
International	<u>14</u>	<u>9</u>	5 -20
Total equity securities	<u>64</u>	<u>76</u>	
Fixed maturities	11	12	5 -25
Money market funds	<u>25</u>	<u>12</u>	10 -35
Total fixed maturities and money market funds	<u>36</u>	<u>24</u>	
Total assets	100%	100%	

1(e) The Company estimates that benefit payments over the next 5 years will be as follows (in thousands):

	Qualified Pension Plan	Non-Qualified Pension Plan
2006	\$ 1,063	\$ 202
2007	1,049	202
2008	1,098	202
2009	1,095	202
2010	1,112	202

The benefit payments are based on the same assumptions used to measure the Company's benefit obligations as of December 31, 2005.

1(f) Best estimate of contributions expected to be paid during next fiscal year is \$-0-.

2 Amount of employer contribution to multi employer plans equals \$-0-.

22. Events Subsequent

Not applicable

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

(A) Unsecured Reinsurance Recoverables

The Company has an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with individual reinsurers, authorized and unauthorized, that exceeds 3% of the policyholders' surplus.

GROUP	NAIC	FEIN	COMPANY	AMOUNT
0957	19720	52-2048110	American Alternative Insurance	\$ 31,000
0957	10227	13-4924125	American Re-Insurance Co.	56,127,000
			Total Group 0957	\$ 56,158,000
0181	10006	13-3531373	PartnerRe Ins Co. of NY	\$ 4,000
0181	25364	13-1675535	Swiss Reinsurance America	3,597,000
			Total Group 0181	\$ 3,601,000
509	80659	38-0397420	Canada Life Assurance Co.	\$ 4,311,000
0158	25534	94-1517098	Tig Insurance Co.	\$ 19,000
0158	23680	47-0698507	Odyssey American Reinsurance	4,000
0158	25070	13-2781282	Clearwater Insurance Company	1,685,000
			Total Group 0158	\$ 1,708,000
0031	38318	75-1670124	Republic Insurance Co.	\$ 71,000
0031	22039	13-2673100	General Reinsurance Corp.	1,000
0031	34835	13-1988169	National Reinsurance Corp.	1,179,000
			Total Group 0031	\$ 1,251,000
	65838	01-0233346	John Hancock Life Insurance	\$ 1,150,000
0626	22705	23-1740414	Ace American Reinsurance Co.	\$ 1,052,000
0626	22713	23-0723970	Insurance Co. of North America	410,000
			Total Group 0626	\$ 1,462,000

(B) Reinsurance Recoverable in Dispute for the Year Ended December 31, 2005

The Company does not have reinsurance recoverable for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus for an individual reinsurer or 10% of policyholders' surplus in aggregate.

(C) Reinsurance Assumed and Ceded

(1) The following table summarizes ceded and assumed unearned premiums and the related equity at December 31, 2005.

	[- - - - - Assumed - - - - -]		[- - - - - Ceded - - - - -]		[- - - Assumed Less Ceded - - -]	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Affiliates	\$ 141,728	\$ 17,180	\$ 549,221	\$ 259,488	\$ (407,493)	\$ (242,308)
All other	596,670	514,210	539	0	596,131	514,210
Total	\$ 738,398	\$ 531,390	\$ 549,760	\$ 259,488	\$ 188,638	\$ 271,902

Direct Unearned Premium Reserve \$1,650,060

(2) The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in the annual statement as a result of existing contractual arrangements are accrued as follows:

REINSURANCE

Description	Direct	Assumed	Ceded	Net
Contingent commission	\$ 0	\$ 0	\$ (232,396)	\$ 232,396
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	0	0	0
Total	\$ 0	\$ 0	\$ (232,396)	\$ 232,396

(3) None

(D) The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of \$117,265, which is reflected as losses incurred:

Company	
American Independent Excess and Casualty Reinsurance Association	\$ 79,406
Fremont Indemnity Company	(818)
Heartland Group	28,473
Home Insurance Company	1,038
Northeastern of Hartford	(9,979)
Total	19,145
	\$ 117,265

(E) The Company entered into several ceded reinsurance commutation agreements during 2005 with the following reinsurers:

- Argonaut Insurance Company
- Fireman's Fund Insurance Co.
- Northwestern National Insurance Co.
- San Francisco Re
- Workers Compensation Reinsurance Bureau

The commutation with Northwestern National Insurance Company impacted underwriting results by \$33,951, which the Company recorded as losses incurred. The remaining commutations did not affect net underwriting results, because cash received equaled reserves and/or gross loss reserves were increased by amounts sufficient to render the transaction income statement neutral. The Company has recorded its pooled share (77%) of the \$33,951.

NOTES TO FINANCIAL STATEMENTS

(F) Retroactive Reinsurance

1.		Reported Company	
		(1)	(2)
	As:	<u>Assumed</u>	<u>Ceded</u>
A. Reserves Transferred:			
1. Initial Reserves		\$ _____	\$ 16,204,000
2. Adjustments - Prior Year(s)		_____	(804,000)
3. Adjustments - Current Year		_____	0
4. Total		\$ _____	\$ 15,400,000
B. Consideration Paid or Received:			
1. Initial		\$ _____	\$ 4,198,000
2. Adjustments - Prior Year(s)		_____	0
3. Adjustments - Current Year		_____	0
4. Total		\$ _____	\$ 4,198,000

C. Amounts Recovered/Paid (cumulative):

1. Prior Year(s)	\$ _____	\$ 14,060,200
2. Current Year	_____	1,339,800
3. Total	\$ _____	\$ 15,400,000
D. Special Surplus from Retroactive Reinsurance:		
1. Initial	\$ _____	\$ 12,006,000
2. Adjustments - Prior Year(s)	_____	(10,666,200)
3. Adjustments - Current Year	_____	(1,339,800)
4. Closing Balance	\$ _____	\$ 0

E. List the other insurers included in the above transactions:

<u>Company</u>	<u>Assumed</u>	<u>Amount</u>	<u>Company</u>	<u>Ceded</u>	<u>Amount</u>
		\$ _____	Muchener Ruckversicherungs Gessellschaft		\$15,400,000
		_____	Total		\$15,400,000*

* Total amounts must agree with totals in A.4.

In accordance with the changes associated with implementation of a new pooling agreement in 1995 we have modified the Exhibit of Retroactive Reinsurance. There has been no change in the total group's Retroactive Reinsurance arrangement with the ultimate assuming company. The Company, however, elected to redistribute the Retroactive Reinsurance Reserves Ceded and the Special Surplus From Retroactive Reinsurance Account in accordance with the new pooling participation percentages.

(G) Reinsurance Accounted for as a Deposit

Not applicable

(H) On October 23, 1998, the Company entered into an Adverse Loss Development Reinsurance Agreement with Inter-Ocean Reinsurance Company retroactive to January 1, 1998. Under the terms of the Agreement, the Company will cede to the reinsurer 100% of the aggregate ultimate net losses for the 1997 and prior accident years in excess of \$226,116,000 (retention) to a maximum limit of \$26,000,000. The consideration paid for the Agreement was \$6,000,000 and that was funded by the Company's former ultimate parent as part of its sale agreement.

In accordance with regulatory requirements, listed below are the effects on the underwriting results of the Company as if the Agreement were being accounted for as retroactive reinsurance. The amounts represent the Company's 77% share under the Intercompany Pooling Arrangement.

2005 Restatement Effects For Adverse Loss Development Agreement

Liabilities and Surplus

Unpaid Losses	\$ 13,615,470	Increase
Unpaid LAE	1,014,950	Increase
Retroactive Reinsurance Reserves Ceded	(14,630,420)	Increase
Aggregate Write-Ins for Special Surplus Funds	14,630,420	Increase
Unassigned Funds	(14,630,420)	Decrease

Statement of Income

Losses Incurred	\$ 0
LAE Incurred	\$ 0
Other Income	\$ 0

All information supplements filed in compliance with these regulatory requirements are available to any party requesting such.

24. Retrospectively Rated Contracts

None

25. Change in Incurred Losses and Loss Adjustment Expenses

During 2005, the Company has recorded its pool percentage (77%) share of \$4.4 million of total pool strengthening on prior years' reserves. The majority of this strengthening relates to increases in the Appointed Actuary's estimates of ultimate liabilities for Commercial Multi-Peril and Workers' Compensation as well as additional funding for the Company's asbestos and environmental liabilities. This increase is the result of ongoing analysis of recent loss development trends and previous estimates of ultimate losses and LAE are increased or decreased as additional information becomes known.

NOTES TO FINANCIAL STATEMENTS

The Company does not have a material amount of retrospectively rated policies and accordingly no adjustments were made to premiums. However, the Company does have several experience rated reinsurance agreements that caused the Company to accrue additional premiums and commissions payable.

26. Intercompany Pooling Arrangements

A new pooling arrangement was established effective January 1, 1995. The lead company is Providence Washington Insurance Company and participation percentages are:

<u>Company</u>	<u>NAIC Co. Code</u>	<u>Percentage</u>
Providence Washington Insurance Company	24295	77%
York Insurance Company	24325	12%
Providence Washington Insurance Company of New York	35726	8%
American Concept Insurance Company	31909	3%

All lines of business and all types of business are subject to the pooling agreement. Prior to calculating the pooled results by company, all cessions to non-affiliated reinsurers of business subject to pooling are recorded on the books of the lead company. All participants in the pooling agreement are parties to the reinsurance agreements with non-affiliated reinsurers. The pooled parties have assigned and transferred all non-affiliated reinsurance rights and obligations to the pool's lead company per the terms of the pooling agreement. The provision for reinsurance (Schedule F – Part 7) is recorded in full on the books of the lead company in conformance with all non-affiliated ceded reinsurance being recorded on the lead company's books. The write-off of uncollectible reinsurance is shared by pool members in accordance with pooling participation percentages.

27. Structured Settlements

(A) Reserves Released due to Purchase of Annuities

The Company has purchased annuities from life insurers under which the claimants are payees (see Note 14A). These annuities have been used to reduce unpaid losses by \$15,171,000 as of December 31, 2005. The Company has a contingent liability of \$15,171,000 should the issuers of these annuities fail to perform under the terms of the annuities.

(B) Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus

The Company has obtained a release of liability from all claimants as a result of annuity purchases.

28. Health Care Receivables

Not Applicable

29. Participating Accident and Health Policies

Not Applicable

30. Premium Deficiency Reserves

The Company has recorded its pooled share (77%) of premium deficiency reserves associated with its participation in the CAIP residual market/involuntary market mechanism. The total (100%) premium deficiency reserve as of December 31, 2005 is \$3,218.

31. High Deductibles

As of December 31, 2005, the amount of reserve credit that has been recorded for high deductibles on unpaid claims was \$0.

As of December 31, 2005, the amount billed and recoverable for high deductibles on paid claims related to a business segment discontinued over seven years ago is immaterial. Over the last seven years, the Company has not issued policies with high deductible provisions.

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company's liabilities for unpaid workers' compensation claims are discounted on a consolidated basis with affiliated companies and then pooled among the affiliated companies. The discounts shown below are the Company's pooled share. All discounting is done using a rate of 3.5%, as required by the State of Rhode Island.

Reserves for the indemnity portion of workers compensation claims other than for the WCRB and NCCI pools have been discounted on a tabular basis using NCCI tables at 3.5%. Indemnity reserves for the WCRB and NCCI pools have been discounted at a 3.5% rate according to the pools' estimates as provided to the Company. In total, the December 31, 2005 and December 31, 2004 liabilities include \$1,891,120 and \$2,262,260 of indemnity discount, respectively. The amount of discount for Case versus IBNR indemnity reserves at December 31, 2005 is as follows:

SCHEDULE P LINES OF BUSINESS	TABULAR DISCOUNT INCLUDED IN SCHEDULE P, PART 1	
	CASE	IBNR
Workers' Compensation	\$ 491,260	\$ 1,399,860
TOTAL	\$ 491,260	\$ 1,399,860

The Company does not discount any medical unpaid losses, nor does the Company discount on a non-tabular basis.

33. Asbestos/Environmental Reserves

The Company has exposure to environmental and asbestos claims. All such exposures from all affiliates are pooled together and then allocated back to the separate companies based on their participation percentages in the pooling arrangement. The Company's environmental and asbestos exposure arises from the Group's past sale of General Liability, Commercial Multi-Peril, and Commercial Automobile insurance as well as from past participation in Assumed Reinsurance Pools. Regarding the direct exposure, the Group estimates the full impact of the environmental and asbestos exposure by establishing full case-basis reserves on all known claims and by computing incurred but not reported losses based on historical experience. Please note that the Group has recently completed an in-depth claims study focused upon a more thorough identification of asbestos and environmental claims. As a result of that study, additional claims were identified that have not been included in prior footnote disclosures. Therefore, the footnote has been restated in its entirety.

NOTES TO FINANCIAL STATEMENTS

As respects the environmental and asbestos liability arising from assumed reinsurance, the Group was a participant in a pool of approximately fifty assumed reinsurance treaties which were discontinued in 1987. One of these treaties involves a small share of the ECRA pool. The participation in each treaty, although small (ranging from one-half of one percent to four percent), varied substantially by year with not all treaties being in-force for all years. Prior asbestos and environmental footnote disclosures have not included contributions from this assumed reinsurance business segment. However, with the aid of our run-off management associates, this assumed reinsurance loss information is now available as of year-end 2003 and subsequent. Therefore, assumed reinsurance reserve and payment activity subsequent to this date are now included in this footnote disclosure.

The Company's pooled share of environmental and asbestos losses for the five most recent calendar years, shown separately on a direct, assumed and net basis, are as follows:

SITES ENVIRONMENTAL

	<u>DIRECT</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Beginning O/S	4,172,921	3,425,240	2,792,359	3,642,069	5,576,340
Incurred	(738,441)	(619,791)	868,190	2,005,881	(505,890)
Paid	9,240	13,090	18,480	71,610	212,520
Ending O/S	3,425,240	2,792,359	3,642,069	5,576,340	4,857,930
			12/05 Direct IBNR		2,635,242
			12/05 Direct ALAE		1,214,758
			12/05 total Direct Bulk		3,850,000

ASBESTOS

	<u>DIRECT</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Beginning O/S	1,256,057	1,606,673	1,735,282	2,246,121	3,391,850
Incurred	751,016	854,719	1,101,429	1,903,409	1,518,440
Paid	400,400	726,110	590,590	757,680	633,710
Ending O/S	1,606,673	1,735,282	2,246,121	3,391,850	4,276,580
			12/05 Direct IBNR		1,674,840
			12/05 Direct ALAE		1,212,660
			12/05 Total Direct Bulk		2,887,500

SITES ENVIRONMENTAL

	<u>ASSUMED</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Beginning O/S	-	-	-	3,811,444	3,227,232
Incurred	-	-	3,811,444	(286,112)	(883,862)
Paid	-	-	-	298,099	272,977
Ending O/S	-	-	3,811,444	3,227,232	2,070,393
			12/05 Assumed IBNR		1,719,410
			12/05 Assumed ALAE		-
			12/05 Total Assumed Bulk		1,719,410

ASBESTOS

	<u>ASSUMED</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Beginning O/S	-	-	-	9,725,324	9,502,035
Incurred	-	-	9,725,324	736,496	(647,301)
Paid	-	-	-	959,786	514,508
Ending O/S	-	-	9,725,324	9,502,035	8,340,226
			12/05 Assumed IBNR		6,986,210
			12/05 Assumed ALAE		-
			12/05 Total Assumed Bulk		6,986,210

SITES ENVIRONMENTAL

	<u>NET</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Beginning O/S	2,687,146	2,142,017	1,752,797	5,593,193	7,147,302
Incurred	(164,749)	(383,060)	3,851,176	1,870,689	(2,965,172)
Paid	380,380	6,160	10,780	316,579	297,617
Ending O/S	2,142,017	1,752,797	5,593,193	7,147,302	3,884,513
			12/05 Net IBNR		3,076,333
			12/05 Net ALAE		183,077
			12/05 Total Net Bulk		3,259,410

NOTES TO FINANCIAL STATEMENTS

ASBESTOS

NET

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Beginning O/S	871,024	926,433	754,323	10,887,285	11,353,885
Incurred	192,469	(65,080)	10,347,022	2,106,295	423,769
Paid	137,060	107,030	214,060	1,639,696	702,388
Ending O/S	926,433	754,323	10,887,285	11,353,885	11,075,266
			12/05 Net IBNR		8,453,430
			12/05 Net ALAE		<u>400,030</u>
			12/05 Total Net Bulk		8,853,460

34. Subscriber Savings Account

Not applicable

35. Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	12,092,257	6.204	12,092,257	6.204
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	5,828,229	2.990	5,828,229	2.990
1.22 Issued by U.S. government sponsored agencies	29,320,582	15.044	29,320,582	15.044
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	3,793,708	1.947	3,793,708	1.947
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	3,624,767	1.860	3,624,767	1.860
1.512 Issued or guaranteed by FNMA and FHLMC	2,150,963	1.104	2,150,963	1.104
1.513 All other	17,132,435	8.790	17,132,435	8.790
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	4,316,043	2.215	4,316,043	2.215
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	64,556,449	33.123	64,556,449	33.123
2.2 Unaffiliated foreign securities	4,026,249	2.066	4,026,249	2.066
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated	118,680	0.061	118,680	0.061
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	6,298,327	3.232	6,298,327	3.232
3.32 Unaffiliated	10,290	0.005	10,290	0.005
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	37,850,967	19.421	37,850,967	19.421
9. Other invested assets	3,777,405	1.938	3,777,405	1.938
10. Total invested assets	194,897,350	100.000	194,897,350	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] NA []
- 1.3 State Regulating? Rhode Island.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No []
- 2.2 If yes, date of change:03/29/2005
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2002
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2002
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).06/28/2004
- 3.4 By what department or departments? Rhode Island
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [] No [X]
4.12 renewals? Yes [X] No []
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [] No [X]
4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [X] No []
- 6.2 If yes, give full information Due to company's runoff status licenses were suspended in AL, CO, FL, ID, NH, NC, WV, and WY.
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
7.21 State the percentage of foreign control;
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

20.2 If no, give full and complete information relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

	21.21 Loaned to others	\$
	21.22 Subject to repurchase agreements	\$
	21.23 Subject to reverse repurchase agreements	\$
	21.24 Subject to dollar repurchase agreements	\$
	21.25 Subject to reverse dollar repurchase agreements	\$
	21.26 Pledged as collateral	\$
	21.27 Placed under option agreements	\$
	21.28 Letter stock or other securities restricted as to sale ...	\$
	21.29 Other	\$

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA []
If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [X] No []

23.2 If yes, state the amount thereof at December 31 of the current year. \$ 118,680

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank & Trust.....	801 Pennsylvania Avenue, Kansas City, MO 64105.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	2 Complete Explanation(s)
.....
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No []

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	2 Address
107423.....	Conning Asset Management.....	One Financial Plaza, Hartford, CT 06103.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?.....

Yes [] No []

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
25.2999 TOTAL		0

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding Of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....
.....

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
26.1 Bonds.....	165,199,341	160,567,578	(4,631,763)
26.2 Preferred stocks.....	118,680	118,680	0
26.3 Totals	165,318,021	160,686,258	(4,631,763)

26.4 Describe the sources or methods utilized in determining fair values:

Fair Values are determined from a variety of sources including the Securities Valuation Office, pricing service providers, such as IDC or broker dealers, such as Bloomberg.....

27.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list the exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$263,691

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Insurance Services Office.....	137,471
AIPSO.....	84,747

29.1 Amount of payments for legal expenses, if any?.....\$442,324

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$0

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U. S. business only \$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$

1.31 Reason for excluding

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$

1.6 Individual policies:

Most current three years:

- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives \$0
- All years prior to most current three years:
- 1.64 Total premium earned \$0
- 1.65 Total incurred claims \$0
- 1.66 Number of covered lives \$0

1.7 Group policies:

Most current three years:

- 1.71 Total premium earned \$0
- 1.72 Total incurred claims \$0
- 1.73 Number of covered lives \$0
- All years prior to most current three years:
- 1.74 Total premium earned \$0
- 1.75 Total incurred claims \$0
- 1.76 Number of covered lives \$0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$0	\$	.....0
2.2	Premium Denominator	\$21,772,847	\$	.....96,770,359
2.3	Premium Ratio (2.1/2.2)	.....0.000		.....0.000
2.4	Reserve Numerator	\$0	\$	.....0
2.5	Reserve Denominator	\$154,995,503	\$	.....215,863,023
2.6	Reserve Ratio (2.4/2.5)	.....0.000		.....0.000

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [X] No []

3.2 If yes, state the amount of calendar year premiums written on:

- 3.21 Participating policies \$3,433
- 3.22 Non-participating policies \$101,882

4. For Mutual Reporting Entities and Reciprocal Exchanges Only:

- 4.1 Does the reporting entity issue assessable policies? Yes [] No []
- 4.2 Does the reporting entity issue non-assessable policies? Yes [] No []
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums? \$

5. For Reciprocal Exchanges Only:

- 5.1 Does the Exchange appoint local agents? Yes [] No []
- 5.2 If yes, is the commission paid:
 - 5.21 Out of Attorney's-in-fact compensation Yes [] No [] NA []
 - 5.22 As a direct expense of the Exchange Yes [] No [] NA []

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [] No []

5.5 If yes, give full information

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?.....
 Reinsurance was purchased in the amount \$19,000,000 excess of \$1,000,000 for dates of loss January 1, 2005 through December 31, 2005.....
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process.....
 AIR Classic/2 Version 7.0 was used. The major exposure is Long Island, New York and coastal Rhode Island.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?.....
 Catastrophe reinsurance was purchased for 90% of \$2.5 million excess of \$2.5 million and 95% of \$35 million excess of \$5 million.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?..... Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss.

- 7.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provision)?..... Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions:
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?..... Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?..... Yes No
- 8.2 If yes, give full information

- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) An unconditional or unilateral right by either party to commute the reinsurance contract, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity..... Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions under approved pooling agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.
 Do not include cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes No NA
- 11.1 Has this reporting entity guaranteed policies issued by any other entity and now in force?..... Yes No
- 11.2 If yes, give full information

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
 12.11 Unpaid losses..... \$
 12.12 Unpaid underwriting expenses (including loss adjustment expenses)..... \$
- 12.2 Of the amount on Line 13.3, Page 2, state the amount which is secured by letters of credit, collateral and other funds..... \$
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [X] NA []
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
 12.41 From..... %
 12.42 To..... %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of the current year:
 12.61 Letters of Credit..... \$
 12.62 Collateral and other funds..... \$
- 13.1 What amount of installment notes is owned and now held by the reporting entity?..... \$
- 13.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Yes [] No [X]
- 13.3 If yes, what amount?..... \$
- 14.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$770,000
- 14.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 14.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount.2
- 15.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No []
- 15.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 See Notes to Financial Statements - Note 26.....
- 15.3 If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [] No [X]
- 15.4 If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in writer agreements? Yes [X] No []
- 15.5 If answer to 15.4 is no, please explain:

- 16.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]
- 16.2 If yes, give full information

- 17.1 Does the reporting entity write any warranty business? Yes [X] No []

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
17.11 Home	\$	\$	\$	\$	\$
17.12 Products	\$646,474	\$0	\$(832,862)	\$44,951	\$1,190,053
17.13 Automobile	\$	\$	\$	\$	\$
17.14 Other*	\$	\$	\$	\$	\$

* Disclose type of coverage:

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

18.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5? Yes [] No [X]

Incurred but not reported losses on contracts not in force on July 1, 1984 or subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

- 18.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5..... \$
- 18.12 Unfunded portion of Interrogatory 18.11..... \$
- 18.13 Paid losses and loss adjustment expenses portion of Interrogatory 18.11 \$
- 18.14 Case reverses portion of Interrogatory 18.11..... \$
- 18.15 Incurred but not reported portion of Interrogatory 18.11..... \$
- 18.16 Unearned premium portion of Interrogatory 18.11..... \$
- 18.17 Contingent commissions portion of Interrogatory 18.11..... \$

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

- 18.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5..... \$
- 18.19 Unfunded portion of Interrogatory 18.18..... \$
- 18.20 Paid losses and loss adjustment expenses portion of Interrogatory 18.18 \$
- 18.21 Case reverses portion of Interrogatory 18.18..... \$
- 18.22 Incurred but not reported portion of Interrogatory 18.18..... \$
- 18.23 Unearned premium portion of Interrogatory 18.18..... \$
- 18.24 Contingent commissions portion of Interrogatory 18.18..... \$

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2005	2 2004	3 2003	4 2002	5 2001
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,278,793	41,591,637	82,923,217	96,977,641	114,041,133
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	959,163	14,859,320	23,747,157	28,324,706	38,068,722
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,323,367	41,192,815	68,781,737	82,055,603	82,106,889
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(826,044)	85,306	822,174	1,832,628	134,505
5. Non-proportional reinsurance lines (Lines 30, 31 & 32)	56,550	46,152	(29,868)	50,364	45,669
6. Total (Line 34)	2,791,830	97,775,230	176,244,417	209,240,942	234,396,918
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	732,468	26,000,469	49,137,014	59,341,835	74,039,752
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	586,634	10,244,954	16,930,310	19,254,177	25,366,085
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(621,276)	27,220,790	47,411,164	45,407,369	47,986,412
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(636,054)	66,139	629,523	2,816	30,726
11. Non-proportional reinsurance lines (Lines 30, 31 & 32)	43,544	35,537	(22,706)	38,780	35,165
12. Total (Line 34)	105,315	63,567,890	114,085,304	124,044,977	147,458,140
Statement of Income (Page 4)					
13. Net underwriting gain (Loss) (Line 8)	(6,686,989)	(41,630,070)	(43,863,387)	(23,270,436)	(9,283,734)
14. Net investment gain (Loss) (Line 11)	8,894,034	14,632,759	17,287,723	20,980,593	13,305,194
15. Total other income (Line 15)	(41,200)	(1,172,440)	(269,945)	(2,717,143)	(568,779)
16. Dividends to policyholders (Line 17)	0	(34,883)	464,101	265,106	213,748
17. Federal and foreign income taxes incurred (Line 19)	(309,003)	248,054	10,458	(465,299)	1,007,938
18. Net income (Line 20)	2,474,848	(28,382,922)	(27,320,167)	(4,806,792)	2,230,995
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	202,501,366	260,382,480	315,505,024	341,432,529	337,977,778
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	1,160,787	4,132,915	7,847,689	7,943,073	8,458,910
20.2 Deferred and not yet due (Line 13.2)	335,899	6,091,236	22,646,406	26,799,341	38,867,726
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	174,217,156	238,221,681	264,574,475	258,695,140	250,682,414
22. Losses (Page 3, Lines 1 and 2)	121,303,345	153,497,073	150,530,849	140,887,979	129,574,388
23. Loss adjustment expenses (Page 3, Line 3)	31,853,461	38,850,188	37,032,205	31,640,145	22,736,696
24. Unearned premiums (Page 3, Line 9)	1,838,698	23,515,762	56,945,967	47,959,206	64,264,696
25. Capital paid up (Page 3, Lines 28 & 29)	5,021,200	5,021,200	5,021,200	5,021,200	5,021,200
26. Surplus as regards policyholders (Page 3, Line 35)	28,284,210	22,160,799	50,930,549	82,737,388	87,295,364
Risk-Based Capital Analysis					
27. Total adjusted capital	28,284,210	22,160,799	50,930,549	79,834,510	84,303,761
28. Authorized control level risk-based capital	17,713,550	24,324,592	25,253,772	21,752,486	19,869,177
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	75.3	90.4	93.0	88.8	82.9
30. Stocks (Lines 2.1 & 2.2)	3.3	4.0	5.5	7.7	9.3
31. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
32. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
33. Cash, cash equivalents and short-term investments (Line 5)	19.4	5.2	1.3	3.0	6.8
34. Contract loans (Line 6)	0.0	0.0	0.0	XXX	XXX
35. Other invested assets (Line 7)	1.9	0.4	0.3	0.4	0.6
36. Receivables for securities (Line 8)	0.0	0.0	0.0	0.0	0.5
37. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated Bonds (Schedule D, Summary, Line 25, Col. 1)	0	0	0	0	0
40. Affiliated preferred stocks (Schedule D, Summary, Line 39, Col. 1)	0	0	0	0	0
41. Affiliated common stocks (Schedule D, Summary, Line 53, Col. 2)	6,298,327	5,840,159	11,549,076	18,979,631	20,103,482
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
43. Affiliated mortgage loans on real estate	0	0	0	0	0
44. All other affiliated	0	0	0	0	0
45. Total of above Lines 39 to 44	6,298,327	5,840,159	11,549,076	18,979,631	20,103,482
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)	22.3	26.4	22.7	22.9	23.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (Losses) (Line 24)	1,868,427	(5,280,854)	(5,732,101)	(2,803,356)	1,447,284
48. Dividends to stockholders (Line 35)	(803,875)	0	0	0	(2,083,325)
49. Change in surplus as regards policyholders for the year (Line 38)	6,123,411	(28,769,750)	(31,806,840)	(4,557,975)	5,439,901
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	56,699,239	61,996,419	74,336,919	81,453,110	83,465,848
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,300,433	7,341,855	10,708,342	16,021,500	21,877,286
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	27,844,674	41,773,156	42,427,948	42,428,365	38,475,607
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,671,185	1,669,981	1,814,980	1,314,410	(204,693)
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	6,627,038	2,775,903	1,770,718	2,027,871	2,514,402
55. Total (Line 34)	95,142,569	115,557,315	131,058,908	143,245,256	146,128,450
Net Losses Paid (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	21,814,323	40,071,123	44,146,476	45,787,377	49,443,111
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,710,821	4,931,221	6,282,868	10,345,004	16,502,184
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	18,739,678	28,525,502	18,523,542	20,119,360	27,868,595
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,289,553	1,283,176	683,364	1,024,197	(95,009)
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	4,018,289	1,333,174	1,358,240	1,561,461	1,936,090
61. Total (Line 34)	47,572,664	76,144,196	70,994,490	78,837,399	95,654,971
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	75.5	81.2	76.2	64.3	64.2
64. Loss expenses incurred (Line 3)	33.0	23.4	24.4	21.1	13.9
65. Other underwriting expenses incurred (Line 4)	25.1	37.8	41.5	31.2	27.6
66. Net underwriting gain (loss) (Line 8)	(30.7)	(43.0)	(42.1)	(16.6)	(5.8)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	4,615.9	60.3	38.2	37.4	30.6
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	108.6	104.6	100.6	85.4	78.1
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	0.4	286.8	224.0	149.9	168.9
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11)	3,379	23,864	35,594	31,730	16,122
71. Percent of development of loss and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0)	15.2	46.9	43.0	36.3	19.7
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	29,653	54,036	62,120	42,658	17,640
73. Percent of development of loss and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)	58.2	65.3	71.2	52.1	20.9

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS				
Governments (Including all obligations guaranteed by governments)	1. United States 45,048,705 2. Canada 5,828,229 3. Other Countries	44,181,727 5,009,663	45,193,769 5,843,500	44,884,958 5,800,000
	4. Totals	50,876,934	51,037,269	50,684,958
States, Territories and Possessions (Direct and guaranteed)	5. United States 3,793,708 6. Canada	3,316,298	3,776,364	3,800,000
	7. Other Countries			
	8. Totals	3,793,708	3,776,364	3,800,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States..... 10. Canada..... 11. Other Countries			
	12. Totals	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States 6,467,006 14. Canada	6,408,140	6,537,722	6,380,186
	15. Other Countries			
	16. Totals	6,467,006	6,537,722	6,380,186
Public Utilities (unaffiliated)	17. United States 2,626,523 18. Canada	2,569,075	2,716,550	2,500,000
	19. Other Countries			
	20. Totals	2,626,523	2,716,550	2,500,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 79,104,769 22. Canada	76,839,770	80,095,950	80,921,811
	23. Other Countries 4,026,249	3,938,750	4,224,540	4,000,000
	24. Totals	83,131,018	84,320,490	84,921,811
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0
	26. Total Bonds	146,895,189	148,388,395	148,286,955
PREFERRED STOCKS				
Public Utilities (unaffiliated)	27. United States 28. Canada			
	29. Other Countries			
	30. Totals	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States 32. Canada			
	33. Other Countries			
	34. Totals	0	0	0
Industrial and Miscellaneous (unaffiliated)	35. United States 118,680 36. Canada	118,680	224,281	
	37. Other Countries			
	38. Totals	118,680	224,281	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0
	40. Total Preferred Stocks	118,680	224,281	
COMMON STOCKS				
Public Utilities (unaffiliated)	41. United States 42. Canada			
	43. Other Countries			
	44. Totals	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States 46. Canada			
	47. Other Countries			
	48. Totals	0	0	0
Industrial and Miscellaneous (unaffiliated)	49. United States 10,290 50. Canada	10,290	0	
	51. Other Countries			
	52. Totals	10,290	0	
Parent, Subsidiaries and Affiliates	53. Totals	6,298,327	9,204,760	
	54. Total Common Stocks	6,308,617	9,204,760	
	55. Total Stocks	6,427,297	9,429,041	
	56. Total Bonds and Stocks	153,322,486	157,817,436	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	223,052,778	7. Amortization of premium.....	871,460
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	4,099,809	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	89,868	8.1 Column 15, Part 1.....	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	(426,143)	8.3 Column 16, Part 2, Sec. 2.....	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	(101,329)	8.4 Column 15, Part 4.....	0
4.3 Column 15, Part 2, Sec. 2.....	459,043	9. Book/adjusted carrying value at end of current period.....	153,322,487
4.4 Columns 11 - 13, Part 4.....	(111,649)	10. Total valuation allowance.....	
5. Total gain (loss), Col. 19, Part 4.....	1,252,610	11. Subtotal (Lines 9 plus 10).....	153,322,487
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4.....	74,121,040	12. Total nonadmitted amounts.....	53,507
		13. Statement value of bonds and stocks, current period.....	153,268,980

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	14,961	15,651	1,069	675	45	0	298	(251)	XXX
2. 1996	179,499	58,784	120,715	111,299	36,328	14,438	3,603	7,825	0	3,758	93,631	XXX
3. 1997	163,097	45,175	117,922	109,958	33,845	14,335	3,525	8,047	0	3,493	94,971	XXX
4. 1998	139,711	24,217	115,494	89,061	18,486	9,482	1,779	9,779	0	3,296	88,057	XXX
5. 1999	126,871	11,206	115,666	81,822	7,892	9,170	712	9,200	0	3,587	91,587	XXX
6. 2000	146,466	10,361	136,105	104,839	11,098	10,033	1,038	10,584	0	4,478	113,321	XXX
7. 2001	177,360	15,907	161,453	110,917	15,691	9,256	633	11,252	0	5,013	115,101	XXX
8. 2002	176,257	36,444	139,813	75,127	15,323	5,909	1,521	11,323	0	3,504	75,516	XXX
9. 2003	140,264	36,007	104,257	56,129	12,959	2,899	1,322	10,033	0	2,070	54,780	XXX
10. 2004	112,830	16,059	96,770	30,238	1,389	1,284	61	8,227	0	1,425	38,300	XXX
11. 2005	25,076	3,303	21,773	7,733	597	151	12	1,849	0	143	9,124	XXX
12. Totals	XXX	XXX	XXX	792,085	169,259	78,027	14,880	88,165	0	31,065	774,138	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1.	28,888	12,514	27,690	10,972	0	0	4,886	3,339	136	3	883	34,773	XXX
2.	863	551	1,068	846	0	0	318	237	147	2	76	761	XXX
3.	1,317	1,489	1,167	937	0	0	468	387	178	3	131	315	XXX
4.	2,746	943	1,346	961	0	0	554	178	171	2	157	2,733	XXX
5.	2,097	191	1,956	1,141	0	0	1,012	194	323	5	233	3,858	XXX
6.	5,573	956	4,190	2,413	0	0	2,015	438	523	11	454	8,483	XXX
7.	12,446	5,876	7,547	4,034	0	0	3,028	494	1,204	20	725	13,801	XXX
8.	16,596	1,128	8,975	5,073	0	0	4,897	675	2,076	33	1,017	25,636	XXX
9.	12,079	1,555	11,006	5,886	0	0	5,350	647	2,162	45	1,186	22,465	XXX
10.	12,536	661	15,186	4,570	0	0	5,051	419	2,436	39	1,295	29,520	XXX
11.	3,772	301	6,165	2,772	0	0	1,093	189	1,197	14	837	8,951	XXX
12. Totals	98,915	26,165	86,297	39,605	0	0	28,672	7,197	10,553	175	6,993	151,295	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	33,093	1,680
2.	135,958	41,566	94,392	75.7	70.7	78.2	0	0	77.0	535	226
3.	135,472	40,186	95,285	83.1	89.0	80.8	0	0	77.0	59	256
4.	113,139	22,349	90,790	81.0	92.3	78.6	0	0	77.0	2,187	546
5.	105,579	10,134	95,445	83.2	90.4	82.5	0	0	77.0	2,721	1,137
6.	137,758	15,954	121,803	94.1	154.0	89.5	0	0	77.0	6,394	2,089
7.	155,650	26,748	128,902	87.8	168.1	79.8	0	0	77.0	10,084	3,718
8.	124,905	23,753	101,151	70.9	65.2	72.3	0	0	77.0	19,370	6,266
9.	99,659	22,414	77,245	71.1	62.2	74.1	0	0	77.0	15,644	6,820
10.	74,958	7,138	67,820	66.4	44.4	70.1	0	0	77.0	22,491	7,029
11.	21,960	3,884	18,076	87.6	117.6	83.0	0	0	77.0	6,864	2,087
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	119,442	31,853

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	One Year	Two Year
1. Prior	127,712	134,390	135,433	135,897	136,228	137,379	141,032	144,086	153,860	158,920	5,060	14,834
2. 1996	84,216	84,733	86,059	84,344	84,013	85,410	86,144	86,506	86,432	86,467	35	(39)
3. 1997	XXX	78,766	78,354	78,782	77,935	82,591	85,595	87,202	87,721	87,094	(627)	(108)
4. 1998	XXX	XXX	69,765	72,132	74,058	75,541	78,752	80,730	81,225	80,874	(351)	144
5. 1999	XXX	XXX	XXX	70,218	74,824	78,092	83,659	88,141	86,617	85,985	(632)	(2,156)
6. 2000	XXX	XXX	XXX	XXX	86,160	90,328	100,694	110,648	112,140	110,801	(1,338)	154
7. 2001	XXX	XXX	XXX	XXX	XXX	98,430	103,624	112,579	117,668	116,661	(1,007)	4,081
8. 2002	XXX	XXX	XXX	XXX	XXX	XXX	76,795	81,999	84,669	87,966	3,296	5,967
9. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	58,436	63,858	65,211	1,353	6,775
10. 2004	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	59,707	57,297	(2,410)	XXX
11. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,058	XXX	XXX
12. Totals											3,379	29,653

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		
1. Prior	000	38,737	64,083	83,322	97,543	107,306	114,410	119,509	123,552	123,257	XXX	XXX
2. 1996	34,777	56,763	66,820	73,556	79,115	83,057	84,525	85,376	85,543	85,806	XXX	XXX
3. 1997	XXX	32,495	51,947	62,640	71,072	77,866	82,476	84,877	86,727	86,923	XXX	XXX
4. 1998	XXX	XXX	30,075	49,494	58,547	67,928	70,757	75,082	77,193	78,278	XXX	XXX
5. 1999	XXX	XXX	XXX	33,675	52,189	62,622	71,590	76,743	81,269	82,388	XXX	XXX
6. 2000	XXX	XXX	XXX	XXX	36,653	61,614	76,080	89,389	98,238	102,736	XXX	XXX
7. 2001	XXX	XXX	XXX	XXX	XXX	40,909	64,794	79,412	95,522	103,849	XXX	XXX
8. 2002	XXX	XXX	XXX	XXX	XXX	XXX	24,752	42,500	53,777	64,192	XXX	XXX
9. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,773	33,248	44,747	XXX	XXX
10. 2004	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	19,551	30,073	XXX	XXX
11. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,275	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Prior	50,740	34,606	28,092	22,880	14,629	15,008	13,826	12,294	16,130	19,267
2. 1996	27,297	11,903	7,222	2,899	1,203	698	473	356	406	336
3. 1997	XXX	23,239	9,746	4,978	1,454	989	1,123	756	(93)	338
4. 1998	XXX	XXX	19,991	9,059	3,899	550	2,714	2,169	1,102	775
5. 1999	XXX	XXX	XXX	16,502	8,966	2,826	2,926	4,669	2,151	1,645
6. 2000	XXX	XXX	XXX	XXX	22,931	8,638	5,843	8,849	4,663	3,387
7. 2001	XXX	XXX	XXX	XXX	XXX	29,885	13,664	11,871	7,274	6,106
8. 2002	XXX	XXX	XXX	XXX	XXX	XXX	27,387	19,839	9,447	8,222
9. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	21,845	12,131	9,874
10. 2004	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,332	15,306
11. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,311

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	Yes	(146,298)	(146,222)	0	1,569	(53,484)	29,159	0
2. Alaska	AK	Yes	0	0	0	1,622,373	1,044,885	6,381,413	0
3. Arizona	AZ	Yes	0	0	0	1,625	(120,758)	166,560	0
4. Arkansas	AR	Yes	0	0	0	0	(4,741)	15,075	0
5. California	CA	Yes	0	0	0	28,230	(624,676)	360,964	0
6. Colorado	CO	Yes	0	0	0	0	6,480	11,091	0
7. Connecticut	CT	Yes	(126,891)	642,733	0	1,591,812	1,713,322	7,531,130	1,124
8. Delaware	DE	Yes	(9,227)	17,802	0	763,475	(392,508)	427,115	76
9. District of Columbia	DC	Yes	0	0	0	0	28,295	58,744	0
10. Florida	FL	Yes	(772)	3,610	0	595,606	(53,000)	2,392,558	0
11. Georgia	GA	Yes	(44,847)	939,498	0	2,268,339	(1,837,489)	4,828,250	3,074
12. Hawaii	HI	No	0	0	0	0	0	0	0
13. Idaho	ID	Yes	0	0	0	0	(71,649)	16,305	0
14. Illinois	IL	Yes	(5,948)	110,291	0	736,290	(8,978)	1,879,734	238
15. Indiana	IN	Yes	0	0	0	90,177	308,131	777,978	0
16. Iowa	IA	Yes	0	0	0	0	(111,092)	8,688	0
17. Kansas	KS	Yes	0	0	0	0	27,685	49,774	0
18. Kentucky	KY	Yes	0	0	0	22,105	37,150	309,075	0
19. Louisiana	LA	Yes	0	0	0	26,581	9,366	239,051	0
20. Maine	ME	Yes	(97)	(97)	0	190,965	200,574	1,495,779	0
21. Maryland	MD	Yes	0	0	0	43,642	66,960	358,433	0
22. Massachusetts	MA	Yes	(85,317)	2,178,593	0	5,176,742	(1,074,403)	10,800,152	5,237
23. Michigan	MI	Yes	0	0	0	5,374	16,701	76,352	0
24. Minnesota	MN	Yes	0	0	0	0	(23,342)	116,305	0
25. Mississippi	MS	No	0	0	0	1,791	377,431	1,645,591	0
26. Missouri	MO	Yes	(5)	(4)	0	0	19,151	104,653	0
27. Montana	MT	Yes	0	0	0	0	(71,496)	34,163	0
28. Nebraska	NE	Yes	0	0	0	0	(7,748)	27,359	0
29. Nevada	NV	Yes	0	0	0	0	(9,020)	14,476	0
30. New Hampshire	NH	Yes	(13,138)	42,971	0	684,534	(298,020)	1,015,961	102
31. New Jersey	NJ	Yes	(136,413)	1,149,848	0	4,882,525	2,664,110	12,930,825	2,620
32. New Mexico	NM	Yes	0	0	0	0	(9,593)	3,447	0
33. New York	NY	Yes	2,773,093	14,728,559	0	22,076,785	13,026,099	64,706,396	145,052
34. North Carolina	NC	Yes	(48,356)	340,110	0	2,857,751	(663,119)	2,432,609	696
35. North Dakota	ND	Yes	0	0	0	0	(937)	18,047	0
36. Ohio	OH	Yes	(20,550)	454,385	0	1,349,904	(98,047)	1,127,952	1,590
37. Oklahoma	OK	Yes	0	0	0	0	623	4,619	0
38. Oregon	OR	Yes	0	0	0	41,456	176,831	433,042	0
39. Pennsylvania	PA	Yes	(45,648)	701,485	0	1,590,810	2,054,478	8,091,801	1,547
40. Rhode Island	RI	Yes	280,964	1,207,954	0	2,713,188	(189,978)	8,241,973	3,069
41. South Carolina	SC	Yes	0	0	0	0	1,664	7,565	0
42. South Dakota	SD	Yes	0	0	0	0	(7,096)	24,592	0
43. Tennessee	TN	Yes	(7,199)	73,869	0	1,489,429	112,052	1,133,579	239
44. Texas	TX	Yes	0	0	0	303,691	4,696,678	8,704,792	0
45. Utah	UT	No	(14,027)	46,078	0	(3,909)	(102,168)	370,216	260
46. Vermont	VT	Yes	10,116	10,767	0	0	12,627	51,152	0
47. Virginia	VA	Yes	(30,700)	75,621	0	1,095,815	990,435	2,204,726	196
48. Washington	WA	Yes	0	0	0	251,911	275,575	1,221,143	0
49. West Virginia	WV	Yes	0	0	0	0	(2,260)	15,917	0
50. Wisconsin	WI	Yes	0	0	0	0	(135,056)	30,490	0
51. Wyoming	WY	Yes	0	0	0	0	(29,321)	757	0
52. American Samoa	AS	No	0	0	0	0	0	0	0
53. Guam	GU	No	0	0	0	0	0	0	0
54. Puerto Rico	PR	No	0	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	No	0	0	0	0	0	0	0
56. Canada	CN	Yes	(832,862)	1,190,053	0	1,775,718	1,445,592	140,272	0
57. Aggregate Other Aliens	OT	XXX	0	0	0	0	0	0	0
58. Totals	(a)	48	1,495,876	23,767,902	0	54,276,305	23,312,920	153,067,797	165,120
DETAILS OF WRITE-INS									
5701.	XXX								
5702.	XXX								
5703.	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	0	0	0	0	0	0	0	0
5799. Totals (Lines 5701 through 5703 + 5798) (Line 57 above)	XXX	0	0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and Other Alien.

Explanation of basis of allocation of premiums by states, etc.

ALL LINES EXCEPT OCEAN MARINE, AUTO, FIDELITY AND SURETY-LOCATION OF PROPERTY INSURED. OCEAN MARINE-CARGO WHERE CONTRACT OF INSURANCE WAS PLACED. YACHT-LOCATION OF PRINCIPAL DOCK; AUTO-LOCATION OF PRINCIPAL GARAGE. FIDELITY-LOCATION OF INSURED, FRAUD AND FORGERY PROTECTION BONDS-LOCATION OF OBLIGER-LICENSE BONDS-LOCATION OF WORK; ALL CONSTRUCTION BONDS-LOCATION OF CONTRACTOR-ALL SUPPLY BONDS-LOCATION OF PRINCIPAL-ALL OTHER BONDS; POOLS OR ASSOCIATION-ADHERE TO ALLOCATION ON BUSINESS REPORTED TO US BY THEM.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Providence Washington Insurance Company

**SCHEDULE T – PART 2
INTERSTATE COMPACT PRODUCTS – EXHIBIT OF PREMIUMS WRITTEN**

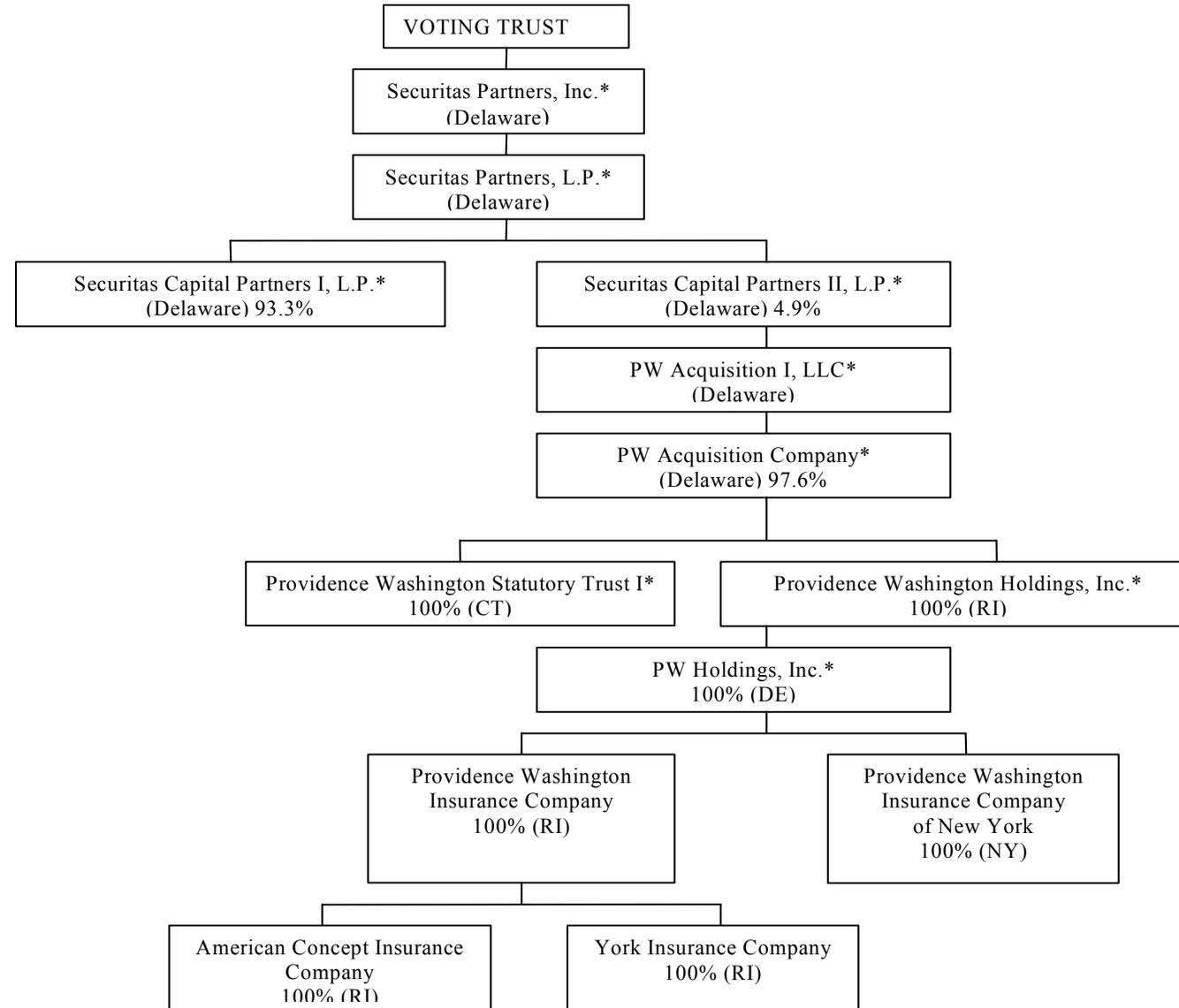
Allocated by States and Territories

States, Etc.	Direct Business Only					Totals
	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	
1. Alabama	AL					0
2. Alaska	AK					0
3. Arizona	AZ					0
4. Arkansas	AR					0
5. California	CA					0
6. Colorado	CO					0
7. Connecticut	CT					0
8. Delaware	DE					0
9. District of Columbia	DC					0
10. Florida	FL					0
11. Georgia	GA					0
12. Hawaii	HI					0
13. Idaho	ID					0
14. Illinois	IL					0
15. Indiana	IN					0
16. Iowa	IA					0
17. Kansas	KS					0
18. Kentucky	KY					0
19. Louisiana	LA					0
20. Maine	ME					0
21. Maryland	MD					0
22. Massachusetts	MA					0
23. Michigan	MI					0
24. Minnesota	MN					0
25. Mississippi	MS					0
26. Missouri	MO					0
27. Montana	MT					0
28. Nebraska	NE					0
29. Nevada	NV					0
30. New Hampshire	NH					0
31. New Jersey	NJ					0
32. New Mexico	NM					0
33. New York	NY					0
34. North Carolina	NC					0
35. North Dakota	ND					0
36. Ohio	OH					0
37. Oklahoma	OK					0
38. Oregon	OR					0
39. Pennsylvania	PA					0
40. Rhode Island	RI					0
41. South Carolina	SC					0
42. South Dakota	SD					0
43. Tennessee	TN					0
44. Texas	TX					0
45. Utah	UT					0
46. Vermont	VT					0
47. Virginia	VA					0
48. Washington	WA					0
49. West Virginia	WV					0
50. Wisconsin	WI					0
51. Wyoming	WY					0
52. American Samoa	AS					0
53. Guam	GU					0
54. Puerto Rico	PR					0
55. U.S. Virgin Islands	VI					0
56. Canada	CN					0
57. Other Alien	OT					0
58. Totals		0	0	0	0	0

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



*Not an insurance company